



Garfield

Charter Township

Operating a Business in Garfield Township

**A Business Owner's Guide
to Personal Property Tax**

Revised 2/2017

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WHAT IS PERSONAL PROPERTY TAX?

Personal property tax is an annual tax (billed in summer and winter installments just like real estate taxes) on the tangible (physical) assets of a business. It consists of moveable items used in the operation of a business such as furniture, fixtures (shelving, countertops or cabinets), machinery, office and computer equipment, signs, sign boards, and anything else used in an attempt to produce a profit for the business. Business inventory and licensed vehicles are not considered personal property and are not taxable as such. If you have questions regarding whether or not an item qualifies as personal property, contact the Assessor's office.

YOUR RESPONSIBILITY

It is your responsibility as a business owner to notify the Township Assessor's office when your business moves into or out of Garfield Township. The taxable value of your business personal property is determined when you file a Personal Property Statement (L-4175/form 632), an Affidavit to Claim Small Business Tax Exemption (form 5076) or an Eligible Manufacturing Personal Property Tax Exemption Claim, Ad Valorem Personal Property Statement, and Report of Fair Market Value of Qualified New and Previously Existing Personal Property (Combined Document) (form 5278).

FORMS:

(One of the three (3) forms below MUST be filed)

1. PERSONAL PROPERTY STATEMENT

Personal property statements (L-4175/form 632) are your declaration of what business assets you own. They need to be filed each year in the city or township where the property was located on December 31st, also known as "tax day". The Township mails personal property statements in December. The **business owner must complete and return the L-4175 (form 632) statement by February 20th.** Under state law, these confidential statements are to be filed with the Assessor declaring all personal property. If a personal property statement is not returned by the Feb. 20th deadline, the Assessor is required to estimate an assessed value. Failure to file by Feb. 20th each year is a misdemeanor punishable by imprisonment up to six months and fines up to \$1,000.

2. AFFIDAVIT TO CLAIM SMALL BUSINESS TAX EXEMPTION

Beginning in 2014, the State of Michigan began to "phase out" personal property taxes. Businesses with less than \$80,000 True Cash Value may claim an exemption from these taxes by filing form 5076—Affidavit to Claim Small Business Tax Exemption Under MCL 211.9o. The Township mails these forms each year with the personal property statements as a convenience. The form is to be completed in its entirety including answering questions 3a and 3b, signed and dated. The **business owner must complete and return form 5076 to the assessor by February 10th** (postmarked is acceptable.) The law does not allow the assessor to accept late filings of the 5076; therefore, if it is not received, you must provide proof of mailing (from the Post Office) in order to receive the exemption.

3. ELIGIBLE MANUFACTURING PERSONAL PROPERTY TAX EXEMPTION CLAIM, AD VALOREM PERSONAL PROPERTY STATEMENT, AND REPORT OF FAIR MARKET VALUE OF QUALIFIED NEW AND PREVIOUSLY EXISTING PERSONAL PROPERTY (COMBINED DOCUMENT)

As part of the “phase out” of personal property taxes, beginning in 2016, form 5278 provides eligible manufacturers an avenue for reporting ALL of their personal property on one statement. This form is used to determine the ad valorem portion of the businesses personal property taxes by the assessor as well as the Essential Services Assessment (ESA) calculated by the Michigan Department of Treasury. It is extremely important that the form is filled out in its entirety. **The business owner must complete and return form 5278 to the assessor by February 20th (in this instance postmarks are NOT acceptable).** The law does not allow the assessor to accept late filings of the 5278; therefore, if it is not received, you must provide proof of mailing (from the Post Office) in order for the assessor to use the filing to determine the personal property valuation. More information about the form, eligibility and the ESA can be found at: www.michigan.gov/ESA.

WHAT DO I INCLUDE?

Business owners should include total original installed costs for each item of personal property by the year of purchase. If an item was purchased used, you must report the original cost of the item and the year it was originally purchased as new. Do not report the cost you paid for the item as used. You may have to contact the person you bought the equipment from for original cost information. Property will be valued at current market value or true cash value and then assessed at 50% of that amount.

DO I REPORT LEASED EQUIPMENT?

Yes. This equipment should be reported on Section J of the personal property statement. Be sure to include the type of equipment, leasing company name and mailing address. The leasing company may be responsible for payment of the personal property taxes on the leased equipment.

DO I HAVE TO PAY TAXES IF I LEASE OR RENT THE SPACE MY BUSINESS OCCUPIES?

Yes. Personal property tax is on the movable (tangible) assets of the business, not the structure or building itself. Therefore, the owner of the business (not the owner of the building) is assessed personal property tax.

WHAT IF I OPERATE OUT OF MY HOME?

Yes. Regardless of where the business is located, if a business is situated within Garfield Township, it is subject to a personal property tax.

WHAT IF I GO OUT OF BUSINESS OR MOVE DURING THE YEAR?

If your business was operational in the Township on the last day of the previous year, also known as “tax day” then you are responsible for paying the taxes for the whole following year. This means if you are in business on 12/31/2016, then you will owe personal property taxes for all of the 2017 tax year (summer and winter). If you close before 12/31/17, then you will owe the summer and winter 2017 taxes, but not 2018. However, you will need to notify the Township Assessor’s office that your business is gone. Do not assume that because you are out of business that the Assessor will know or will not assess the property.

WHAT IF I NOTICE THAT I MADE AN ERROR ON MY STATEMENT AFTER IT IS FILED?

There is a Board of Review that meets in July and December to correct “clerical errors and mutual mistakes of fact” that are discovered by the taxpayer or assessor after the April confirmation of the roll. This process only applies to those taxpayers who filed statements by the Feb. 20th deadline.

WHAT IF I BUY OR SELL BUSINESS ASSETS (PERSONAL PROPERTY) DURING THE YEAR?

Any additions or deletions of business personal property would be reported on the next tax year’s personal property statement.

It is important to remember that any time you purchase used business equipment that you check with the city or township where the seller’s business was located to verify that there are no personal property taxes owing from the previous owner. The tax lien follows the property, even if it is sold. Therefore, if you purchase equipment that has unpaid taxes, you will be required to pay the taxes or risk having the property seized and sold at auction to pay the tax.

WHAT IF I THINK MY TAX IS TOO HIGH?

An assessment may be contested if you feel it is inaccurate. If you disagree with your assessment, please protest to the March Board of Review or call one of our Assessors to request they visit your property to review your actual business assets.

WHO COLLECTS THE TAXES?

The Treasurer is obligated by state tax law to perform due diligence in the collection of personal property taxes. The non-payment of personal property taxes could result in seizure of the personal property or small claims court action. If you have a dispute, pay the taxes and then pursue action to show why reimbursement should be made. The Treasurer is authorized to seize and sell the personal property of a business if the taxes remain unpaid. It is very important that you pay your personal property taxes on time to avoid late interest and penalty, and the possibility of further costs like court fees or seizure collection costs. It is your obligation to pay your tax bills on time. You must notify the Township of any changes in your address or telephone numbers.

WHERE DOES THE MONEY GO?

When you receive your personal property tax bill, it will have an itemized list of each of the taxing authorities and how much each is paid. In Garfield Township, those taxing authorities are: Grand Traverse County, NMC, Traverse City Area Public Schools, State of Michigan, TBA-ISD, Medical Care Facility, BATA, Traverse Area District Library, Recreational Authority, Commission on Aging, County Roads, Veterans and Garfield Township. Personal property tax goes to the same taxing authorities as real property taxes. The tax rate used to calculate the amount of tax is the non-homestead rate of mills.