

LEGAL ALERT

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Owner Response Time is Critical to Challenge Property Assessment Re-Classifications from “Industrial” to “Commercial”

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The Michigan Department of Treasury is in the process of filing an estimated 10,000 petitions state-wide against property owners and assessing municipalities to change property classifications from “industrial” to “commercial” for tax assessment purposes.

The petitions, which name property owners and the taxing municipalities as respondents, request an order from the Michigan Tax Tribunal to establish the requested re-classification, compel the taxing municipality to correct its tax rolls to reflect the change of classification, and award to the Department of Treasury “any additional relief that the Tax Tribunal deems necessary and just.”

A commercial designation for the assessable real and corresponding personal property classifications could result in increased taxes because the change impacts the exemptions

available for state education taxes and levies for school operating purposes. A switch may eliminate a Michigan Business Tax (MBT) credit equal to 35% of the eligible industrial personal property taxes paid. Reportedly, the

Department of Treasury could capture an additional \$20 million for the state’s School Aid Fund.

As defined by statute, an “industrial” property includes: platted or unplatted parcels used for manufacturing and processing purposes, with or without buildings; parcels used for utilities sites for generating

plants, pumping stations, switches, substations, compressing stations, warehouses, rights-of-way, flowage land, and storage areas; and parcels used for removal or processing of gravel, stone, or mineral ores, whether valued by the local assessor or by the state geologist.

In contrast, a “commercial” property includes: platted or unplatted parcels used for

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commercial purposes, whether wholesale, retail, or service, with or without buildings; parcels used by fraternal societies; parcels used as golf courses, boat clubs, ski areas, or apartment buildings with more than four units; and buildings on leased land used for commercial purposes.

To initiate a suit, the Department of Treasury must file the action no later than December 31 in the tax year for which the classification is appealed.

To challenge a petition, the timing of the response is critically important. A failure to file a timely answer may result in a default hearing.



Steve is a member of the Real Property Section of the State Bar of Michigan, the Michigan Land Title Association, and the Commercial Alliance of Realtors. Representative clients include banks, mortgage lenders, insurers, health care organizations, architectural and engineering firms, developers, and contractors.

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