

## TAX EXEMPTIONS AVAILABLE FOR MICHIGAN COMPANIES

Various sales and property tax exemptions in Michigan help reduce business tax liability for a variety of companies. Businesses should consider discussing the tax exemptions outlined below with their tax preparer, CPA or tax attorney.

### Sales Tax Exemption for Industrial Processing

Certain types of tangible property used by manufacturers directly in the industrial process are exempt from Michigan's sales and use tax. Eligible exempt property includes machinery, equipment and energy used in an industrial process. Industrial processing includes but is not limited to production or assembly, research & development, engineering, remanufacturing and storage of in-process materials.

Businesses must file an exemption certificate with the seller of the tangible personal property – not the Michigan Department of Treasury (Treasury) – in order to claim the sales tax exemption. Treasury **Form 3372** is the exemption certificate used in this process. The seller needs only one of these forms per client, and both parties should retain it for future reference. **Form 3372** may be used to exempt sales tax for a blanket period of up to four years or may be used for one-time purchases. Details on the eligibility standards for the exemption provisions can be found in the Revenue Administrative Bulletin (RAB) **2002-15**.

Treasury forms and revenue administrative bulletins are available at [www.michigan.gov/taxes](http://www.michigan.gov/taxes).

### Sales Tax Exemption for Energy Used in Industrial Processing

Energy used directly in the manufacturing process, such as natural gas, electricity and propane, is exempt from the sales tax. Anytime a sales tax exemption is claimed for energy used directly in manufacturing, the company (buyer) must have that specific energy usage metered

separately or must have a clearly drawn-up plan with the energy provider (seller) to separate the exempt versus the non-exempt energy usage. Most energy providers have staff that can assist with specific questions regarding exemption claims for energy usage.

Claims for the sales tax exemption of energy used directly in manufacturing are subject to audit and must be acceptable to Treasury. Should there be any conflict, the seller is ultimately responsible for the tax. Plans establishing exempt portions of manufacturing energy usage may be submitted to Treasury with a request for a private letter ruling on the exemption claim. Such requests should be addressed to the following:

Sales, Use and Withholding Taxes Michigan Department  
of Treasury Treasury Building  
Lansing, MI 48922

The telephone number for the Sales, Use and  
Withholding Taxes Technical Unit is 517.636.4357.

Treasury's rules for eligibility for a sales tax exemption for energy used in industrial processing are also outlined in **Revenue Administrative Bulletin (RAB) 2002-15** and are a recommended reading for companies that have questions about the exemption standards.

### Sales Tax Refunds

Manufacturers that have unnecessarily paid sales tax on eligible exempt energy usage in the industrial process may request a refund through their energy provider. The look-back period for a sales tax refund is four years. The industrial usage for energy must be appropriately documented, and **Exemption Form 3372** must be completed for the time period in question. Companies should work directly with their energy providers in requesting a refund.

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### **Pollution Control Tax Exemptions**

Air and industrial water pollution control facilities are exempt from sales, use and property taxes in Michigan.

A facility refers to any machinery, equipment, structure, part or accessory used for the primary purpose of controlling or disposing of air or industrial water pollution. The Michigan Department of Environmental Quality (DEQ) is responsible for determining what property is eligible.

There are two separate applications for air and water pollution control, which should be submitted to Treasury for processing. As part of the process, the DEQ will review the application submitted to Treasury and local governmental units will also receive a copy of the application. Water pollution facilities should use Form 891 and air pollution facilities should use Form 3828. This certification process is used for both the sales tax and property tax exemptions. The exemptions do not take effect until approved by the state agency.

### **Property Tax Exemption for Special Tooling**

Michigan exempts special tooling from all property taxes. "Special Tooling" includes tools, dies, jigs, fixtures and patterns, which are used to manufacture a product which could not be used to manufacture another product without substantial modification to the device.

Businesses may claim the special tooling exemption on their personal property tax statement filed with the local property tax assessor each year.