

**TAX EXEMPTION FOR POLLUTION  
REDUCTIONS**

**House Bills 5455 and 5457**

**Sponsor: Rep. John Freeman**

**Committee: Conservation, Environment  
and Recreation**

**Complete to 2-20-98**

**A SUMMARY OF HOUSE BILLS 5455-5457 AS INTRODUCED 1-14-98**

Parts 37 and 59 of the Natural Resources and Environmental Protection Act (NREPA) govern tax exemptions for facilities that are operated primarily to control water and air pollution, respectively. Upon application, the state tax commission may grant a tax exemption certificate to the owner of a water or air pollution facility that exempts a water or air pollution *control* facility from 100 percent of property, sales, and use taxes. The bills would amend Parts 37 and 59 to extend the 100 percent tax exemption to facilities whose function was to *prevent* water and air pollution, and to reduce the exemption for pollution control facilities to 50 percent. The bills are both tie-barred to House Bills 4987 and 4988, which would amend the NREPA to replace the current waste reduction assistance service with a new pollution prevention assistance service that would provide assistance and funding to facilitate pollution prevention.

House Bills 5455 (MCL 324.5901 et al.) and 5457 (MCL 324.3701 et al.) would amend the NREPA as follows:

- For the period after the effective date of an air or water pollution prevention tax exemption certificate, and continuing as long as it was in force, a facility would receive an exemption from property taxes. Tangible personal property installed at the facility would be exempt from both sales and use taxes.

- For the period after the effective date of an air or water pollution control tax exemption certificate, and continuing as long as it was in force, a facility would receive a property tax reduction of 50 percent. Tangible personal property installed at the facility would be exempt from 50 percent sales and use taxes.

- "Pollution prevention" would be defined under the bills to mean the employment by a business of a practice that reduces the industrial use of toxic materials or reduces the environmental and health hazards associated with an environmental waste without diluting or concentrating the waste before the release, handling, storage, transport, treatment, or disposal of the waste. The term could include changes in production technology, materials, processes, operations, or procedures, or the use of in process, incline, or closed loop recycling, according to standard engineering practices. The term could *not* include a practice applied to an environmental waste after it was generated or came into existence, or after the waste exited a production or commercial operation. "Pollution prevention" could not promote, include, or require waste burning or incineration.

- "Environmental wastes" would be defined to mean all environmental pollutants, wastes, discharges, and emissions, regardless of whether or how they were regulated and regardless of whether they were released to the general environment or the workplace environment.

- Under Part 59 of the NREPA, "facility" would be broadened to include a change in production technology, materials, processes, operations, or procedures that were done for the primary purpose of preventing air pollution that would otherwise be released and render the air harmful or inimical to the public health or to the property within the state.

- Under Part 37 of the NREPA, the definition of "facility" would be broadened to include a change in production technology, materials, processes, operations, or procedures that were done primarily to prevent water pollution caused by industrial waste.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.