

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 1054 (Substitute S-1 as reported)

Sponsor: Senator Bill Bullard, Jr.

Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to revise the way in which certain rental property is taxed as personal property. Currently, for personal property assessments made after 1994 and before 2000, "qualified personal property" made available by a "qualified business" for use by another party is taxable to the user of the property instead of the qualified business, pursuant to a written agreement between the two parties. The user of the property must pay the tax to the local unit in which the property is located. The bill provides that "rental inventory" would have to be assessed to the owner by the local tax collecting unit in which the owner was located, and would not be assessable in the local unit in which the rental inventory was located if the owner were not also located there, if both the following conditions were met:

- The owner (together with any affiliated company) derived 50% or more of the owner's (and any affiliated company's) gross proceeds in the tax year from the rental of the rental inventory.
- Possession of the rental inventory was not transferred to the same person for more than six months in any 12-month period, and the rental inventory was transferred for household use 50% or more of the time.

When filing the personal property statement that is required under the Act, the owner of rental inventory would have to provide information or documentation or an affidavit establishing that these criteria were met. The owner also would have to provide at least one of the following: a sales tax and use tax return representing all transactions from the immediately preceding calendar year; or any other documentation that would establish that 50% or more of the owner's (and any affiliated company's) gross proceeds in the tax year for which the required statement was filed were derived from the rental of rental inventory.

"Rental inventory" would mean tangible personal property that was subject to a rental agreement and principally rented for household use 50% or more of the time, the possession of which was transferred for consideration for an hourly, daily, weekly, or monthly period. Rental inventory would not include a videotape, medical supplies or equipment, recreational equipment, or linens.

MCL 211.13 et al.

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would have no fiscal impact on State government. The bill would reduce property tax collections for local units in which rental personal property is located and would increase property tax collections for local units in which the qualified business that owns the rental personal property is located.

Date Completed: 6-1-98

Fiscal Analyst: R. Ross