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House Bill 5153 (Substitute H-3 as passed by the House)
Sponsor: Representative Nancy Cassis
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 10-3-00

CONTENT

The bill would amend the General Property Tax Act to exempt from the tax on personal property heavy earth moving equipment subject to one or more lease agreements with the same person "totaling not more than 1 year and principally intended for sale rather than lease". The bill would allow the exemption on and after December 31, 2000.

Under the bill, "heavy earth moving equipment" would be industrial construction equipment that was self-propelled; weighed 10,000 pounds or more; and was designed and principally intended to move, transport, or reconfigure dirt, earth, soil, or other construction material at a construction site. A lease agreement used to support the proposed exemption would have to be made available to the assessor on request, and would have to be considered confidential information to be used for assessment purposes only.

Under the Act, inventory (which is exempt from the tax) does not include personal property that is allowed a deduction or allowance for depreciation or depletion under the Internal Revenue Code (IRC). The bill also provides that on and after December 31, 2000, inventory would not include personal property for which a deduction or allowance for amortization was allowed under the IRC.

The bill specifies that on and after December 31, 2000, inventory would not include heavy earth equipment subject to one or more lease agreements with the same person "totaling more than 1 year or principally intended for lease rather than sale".

MCL 211.9c

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would reduce State School Aid Fund (SAF) revenues by an unknown amount. Currently, State property taxes on personal property comprise approximately 18% of all personal property taxes. The share of personal property taxes paid on equipment covered by the bill is unknown, although the share is likely to be minimal. The taxable value of commercial and industrial personal property totaled \$17.6 billion in 1996, or 9.2% of the taxable value of real and personal property in Michigan. Based on an estimated total taxable value of all property in 1999 of \$233.8 billion, the taxable value of all commercial and industrial property in Michigan in 1999 is estimated at \$21.5 billion. Assuming an average millage rate of 40 mills and that property covered by the bill comprises 0.1% of taxable value of all commercial and industrial personal property, the bill would reduce property tax revenues by approximately \$837,000. Consequently, revenues to the SAF would fall by about \$151,000.

Local units of government would experience the balance of the loss of property tax revenues. Based on the same analysis for the impact on State revenues, local units would experience a revenue loss of approximately \$686,000. Because personal property taxes upon heavy earth moving equipment affected by the bill are based on the location of the equipment as of December 31 of each year, no information is available regarding which local units would be affected by the bill or the extent to which individual local units

would be affected. Furthermore, the local units affected by the bill, as well as the magnitude of the impact, would vary each year as equipment is leased to different customers and/or relocated to different projects.

Fiscal Analyst: D. Zin