

HOUSE BILL No. 4638

May 5, 1999, Introduced by Rep. Shulman and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 9 (MCL 211.9), as amended by 1996 PA 582.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 9. The following personal property is exempt from
2 taxation:
3 (a) The personal property of charitable, educational, and
4 scientific institutions incorporated under the laws of this
5 state. This exemption does not apply to secret or fraternal
6 societies, but the personal property of all charitable homes of
7 ~~the~~ SECRET OR FRATERNAL societies and OF nonprofit corporations
8 that own and operate facilities for the aged and chronically ill
9 in which the net income from the operation of the corporations
10 does not inure to the benefit of a person other than the
11 residents is exempt.

1 (b) The property of all library associations, circulating
2 libraries, libraries of reference, and reading rooms owned or
3 supported by the public and not used for gain.

4 (c) The property of posts of the grand army of the republic,
5 sons of veterans' unions, and of the women's relief corps con-
6 nected with them, of young men's Christian associations, women's
7 Christian temperance union associations, young people's Christian
8 unions, a boy or girl scout or camp fire girls organization, 4-H
9 clubs, and other similar associations.

10 (d) Pensions receivable from the United States.

11 (e) The property of Indians who are not citizens.

12 (f) The personal property owned and used by a householder
13 such as customary furniture, fixtures, provisions, fuel, and
14 other similar equipment, ~~and the~~ wearing apparel including per-
15 sonal jewelry, family pictures, school books, library books of
16 reference, and allied items. Personal property is not exempt
17 under this subdivision if it is used to produce income, if it is
18 held for speculative investment, or if it constitutes an inven-
19 tory of goods for sale in the regular course of trade.

20 (g) Household furnishings, provisions, and fuel ~~to the~~
21 ~~state equalized value~~ of not more than \$5,000.00 IN TAXABLE
22 VALUE, of each social or professional fraternity, sorority, and
23 student cooperative house recognized by the educational institu-
24 tion at which it is located.

25 (h) The working tools of a mechanic ~~to the state equalized~~
26 ~~value~~ of not more than \$500.00 IN TAXABLE VALUE. "Mechanic", as
27 used in this subdivision, means a person skilled in a trade

1 pertaining to a craft or in the construction or repair of
2 machinery if the person's employment by others is dependent on
3 his or her furnishing the tools.

4 (i) Fire engines and other implements used in extinguishing
5 fires owned or used by an organized or independent fire company.

6 (j) Property actually ~~being~~ used in agricultural opera-
7 tions and ~~the~~ farm implements held for sale or resale by retail
8 servicing dealers for use in agricultural production. As used in
9 this subdivision, "agricultural operations" means farming in all
10 its branches, including cultivation of the soil, growing and har-
11 vesting of an agricultural, horticultural, or floricultural com-
12 modity, dairying, raising of livestock, bees, fur-bearing ani-
13 mals, or poultry, turf and tree farming, raising and harvesting
14 of fish, and any practices performed by a farmer or on a farm as
15 an incident to, or in conjunction with, farming operations, but
16 excluding retail sales and food processing operations. Property
17 used in agricultural operations includes machinery used to pre-
18 pare the crop for market operated incidental to a farming opera-
19 tion that does not substantially alter the form, shape, or sub-
20 stance of the crop and is limited to cleaning, cooling, washing,
21 pitting, grading, sizing, sorting, drying, bagging, boxing, crat-
22 ing, and handling if not less than 33% of the volume of the crops
23 processed in the year ending on the applicable tax day or in at
24 least 3 of the immediately preceding 5 years were grown by the
25 farmer in Michigan who is the owner or user of the crop process-
26 ing machinery.

1 (k) Personal property ~~to the state equalized value of not~~
2 ~~more than \$500.00 used by a householder in the operation of a~~
3 ~~business. in the householder's dwelling or at 1 other location~~
4 ~~in the city, township, or village where the householder resides.~~

5 AS USED IN THIS SUBDIVISION, "BUSINESS" MEANS A SOLE PROPRIETOR-
6 SHIP, PARTNERSHIP, LIMITED PARTNERSHIP, LIMITED LIABILITY PART-
7 NERSHIP, CORPORATION, LIMITED LIABILITY COMPANY, OR OTHER LEGAL
8 ENTITY OPERATED FOR PROFIT.

9 (l) The products, materials, or goods processed or otherwise
10 and in whatever form, but expressly excepting alcoholic bever-
11 ages, located in a public warehouse, United States customs port
12 of entry bonded warehouse, dock, or port facility on December 31
13 of each year, if those products, materials, or goods are desig-
14 nated as in transit to destinations ~~out of~~ OUTSIDE THIS state
15 pursuant to the published tariffs of a railroad or common carrier
16 by ~~the~~ filing ~~of~~ the freight bill covering the products,
17 materials, or goods with the agency designated by the tariffs,
18 ~~so as to entitle~~ ENTITLING the shipper to transportation rate
19 privileges. Products in a United States customs port of entry
20 bonded warehouse that arrived from another state or a foreign
21 country, whether awaiting shipment to another state or to a final
22 destination within this state, are considered to be in transit
23 and temporarily at rest, and not subject to personal property
24 taxation. To obtain AN exemption FOR PRODUCTS, MATERIALS, OR
25 GOODS UNDER THIS SUBDIVISION, the owner shall file a sworn state-
26 ment with, and in the form required by, the assessing officer of
27 the tax district in which the warehouse, dock, or port facility

1 is located, at a time between the tax day, December 31, and
2 before ~~closing of~~ THE ASSESSING OFFICER CLOSES the assessment
3 rolls ~~by the assessing officer,~~ describing the products, mate-
4 rials, or goods, and reporting their cost and value as of
5 December 31 of each year. The status of persons ~~—~~ and pro-
6 ducts, materials, or goods for which AN exemption is requested
7 ~~shall be~~ IS determined as of December 31, which ~~shall be~~ IS
8 the tax day. ~~The assessment on the basis of average monthly~~
9 ~~inventory does not apply in valuing products, materials, or goods~~
10 ~~for which exemption is requested.~~ Any property located in a
11 public warehouse, dock, or port facility on December 31 of each
12 year ~~—, which~~ THAT is exempt from taxation under this subdivi-
13 sion but ~~which~~ THAT is not shipped outside ~~the~~ THIS state
14 pursuant to the particular tariff under which the transportation
15 rate privilege was established ~~—~~, shall be assessed upon the
16 ~~next~~ IMMEDIATELY succeeding or a subsequent assessment roll by
17 the assessing officer and taxed at the same rate of taxation as
18 other taxable ~~properties~~ PROPERTY for the year or years for
19 which the property was exempted ~~—~~, to the owner at the time of
20 the omission ~~—~~, unless the owner or person entitled to posses-
21 sion of the products, materials, or goods is a resident of, or
22 authorized to do business in, this state and files with the
23 assessing officer, with whom statements of taxable property are
24 required to be filed, a statement under oath that the products,
25 materials, or goods are not for sale or use in this state and
26 will be shipped to a point or points outside this state. If a
27 person, firm, or corporation claims exemption by ~~the~~ filing

1 ~~of~~ a sworn statement, the person, firm, or corporation shall
2 append to the statement of taxable property required to be filed
3 in the ~~next~~ IMMEDIATELY SUCCEEDING year or, if a statement of
4 taxable property is not filed for the ~~next~~ IMMEDIATELY
5 SUCCEEDING year, TO a sworn statement FILED on a form required by
6 the assessing officer, ~~shall be filed showing~~ a complete list
7 of the property for which the exemption was claimed with a state-
8 ment of the manner of shipment and of the point or points to
9 which the products, materials, or goods were shipped from the
10 public warehouse, dock, or port facility. ~~and~~ THE ASSESSING
11 OFFICER SHALL ASSESS the products, materials, or goods not
12 shipped to a point or points outside this state ~~shall be~~
13 ~~assessed~~ upon the ~~next~~ IMMEDIATELY succeeding assessment roll
14 ~~, or on a subsequent assessment roll by the assessing officer~~
15 and THE PRODUCTS, MATERIALS, OR GOODS SHALL BE taxed at the same
16 rate of taxation as other taxable ~~properties~~ PROPERTY for the
17 year or years for which the property was exempted ~~, to the~~
18 owner at the time of the omission. The records, accounts, and
19 books of warehouses, docks, or port facilities, individuals,
20 partnerships, corporations, owners, or those in possession of
21 tangible personal property shall be open to and available for
22 inspection, examination, or auditing by assessing officers. A
23 warehouse, dock, ~~or~~ port facility, individual, partnership,
24 corporation, owner, or person in possession of tangible personal
25 property shall report within 90 days after shipment of products,
26 materials, or goods in transit, for which AN exemption under this
27 section was claimed or granted, the destination of shipments or

1 parts of shipments and the cost value of those shipments OR PARTS
2 OF SHIPMENTS to the assessing officer. ~~For failure to comply~~
3 ~~with this requirement, the~~ A warehouse, dock, ~~or~~ port facili-
4 ty, individual, partnership, corporation, or owner is subject to
5 a fine of \$100.00 for each ~~omission~~ FAILURE TO REPORT THE
6 DESTINATION AND COST VALUE OF SHIPMENTS OR PARTS OF SHIPMENTS AS
7 REQUIRED IN THIS SUBDIVISION. A person, firm, individual, part-
8 nership, corporation, or owner failing to report products, mate-
9 rials, or goods located in a warehouse, dock, or port facility to
10 the assessing officer is subject to a fine of \$100.00 and a pen-
11 alty of 50% of the final amount of taxes found to be assessable
12 for the year on property not reported, the assessable taxes and
13 penalty to be spread on a subsequent assessment roll in the same
14 manner as general taxes on personal property. For the purpose of
15 this subdivision, a public warehouse, dock, or port facility
16 means a warehouse, dock, or port facility owned or operated by a
17 person, firm, or corporation engaged in the business of storing
18 products, materials, or goods for hire for profit who issues a
19 schedule of rates for storage of the products, materials, or
20 goods and who issues warehouse receipts pursuant to ~~Act No. 303~~
21 ~~of the Public Acts of 1909, being sections 443.50 to 443.55 of~~
22 ~~the Michigan Compiled Laws~~ 1909 PA 303, MCL 443.50 TO 443.55. A
23 United States customs port of entry bonded warehouse means a
24 CUSTOMS warehouse within a classification designated by 19
25 C.F.R. 19.1 and ~~which~~ THAT is located in a port of entry, as
26 defined by 19 C.F.R. ~~101.1(m)~~ 101.1. A portion of a public
27 warehouse, United States customs port of entry bonded warehouse,

1 dock, or port facility leased to a tenant or a portion of any
2 premises owned or leased or operated by a consignor or consignee
3 or an affiliate or subsidiary of the consignor or consignee
4 ~~shall~~ IS not ~~be considered~~ a public warehouse, dock, or port
5 facility.

6 (m) Personal property owned by a bank or trust company orga-
7 nized under the laws of this state, A national banking associa-
8 tion, or AN incorporated bank holding company as defined in sec-
9 tion 2 of the bank holding company act of 1956, chapter 240,
10 70 Stat. 133, 12 U.S.C. 1841, that controls a bank, national
11 banking association, trust company, or industrial bank subsidiary
12 located in this state. ~~However, buildings~~ BUILDINGS owned by a
13 state or national bank, trust company, or incorporated bank hold-
14 ing company and situated upon lands of which the state or
15 national bank, trust company, or incorporated bank holding com-
16 pany is not the owner of the fee are considered real property and
17 are not exempt from taxation. ~~and personal~~ PERSONAL property
18 owned by a state or national bank, trust company, or incorporated
19 bank holding company that is leased, loaned, or otherwise made
20 available to and used by a private individual, association, or
21 corporation in connection with a business conducted for profit is
22 not exempt from taxation.

23 (n) Farm products, processed or otherwise, the ultimate use
24 of which is for human or animal consumption as food, except wine,
25 beer, and other alcoholic beverages regularly placed in storage
26 in a public warehouse, dock, or port facility — while in
27 storage are considered in transit and only temporarily at rest

1 ~~—~~ and are not subject to personal property taxation. The
2 assessing officer is the determining authority as to what consti-
3 tutes, is defined as, or classified as, farm products as used in
4 this subdivision. The records, accounts, and books of ware-
5 houses, docks, or port facilities, individuals, partnerships,
6 corporations, owners, or those in possession of farm products
7 shall be open to and available for inspection, examination, or
8 auditing by assessing officers.

9 (o) Sugar, in solid or liquid form, produced from sugar
10 beets, ~~and~~ dried beet pulp, and beet molasses ~~—, when~~ IF owned
11 or held by processors.

12 (p) The personal property of a parent cooperative
13 preschool. As used in this subdivision and section 7z, "parent
14 cooperative preschool" means a nonprofit, nondiscriminatory edu-
15 cational institution maintained as a community service and admin-
16 istered by parents of children currently enrolled in the pre-
17 school, that provides an educational and developmental program
18 for children younger than compulsory school age, that provides an
19 educational program for parents, including active participation
20 with children in preschool activities, that is directed by quali-
21 fied preschool personnel, and that is licensed ~~by the department~~
22 ~~of social services~~ under ~~Act No. 116 of the Public Acts of~~
23 ~~1973, being sections 722.111 to 722.128 of the Michigan Compiled~~
24 ~~Laws~~ 1973 PA 116, MCL 722.111 TO 722.128.

25 (q) All equipment used exclusively in wood harvesting, but
26 not including portable or stationary sawmills or other equipment
27 used in secondary processing operations. As used in this

1 subdivision, "wood harvesting" means ~~the~~ clearing ~~of~~ land for
2 forest management purposes, ~~the~~ planting ~~of~~ trees, ~~and~~ all
3 forms of cutting or chipping ~~of~~ trees, and ~~the~~ loading ~~of~~
4 ~~them~~ TREES on trucks for removal from the harvest area.

5 (r) Liquefied petroleum gas tanks located on residential or
6 agricultural property ~~and~~ used to store liquefied petroleum gas
7 for residential or agricultural property use. As used in this
8 subdivision, "liquefied petroleum gas" means that term as defined
9 in section 51 of ~~Act No. 150 of the Public Acts of 1927, being~~
10 ~~section 207.151 of the Michigan Compiled Laws~~ 1927 PA 150, MCL
11 207.151.

12 (s) Water conditioning systems used for a residential
13 dwelling.