

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 6074 (Substitute H-3 as discharged)
Sponsor: Representative Randy Richardville
House Committee: Energy and Technology
Senate Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to exempt from the property tax certain alternative energy personal property. The exemption would apply to taxes levied by a school district for school operating purposes; the State education tax levied under the State Education Tax Act; and all other personal property taxes collected in a local unit of government, if the local unit approved a resolution to exempt the alternative energy personal property from the taxes.

The exemption would apply to taxes levied after December 31, 2002, and before January 1, 2013, and would apply to the following property: an alternative energy system; an alternative energy vehicle; all personal property of an alternative energy technology business; and the personal property of a business that was not an alternative energy technology business and that was used solely for the purpose of researching, developing, or manufacturing an alternative energy technology.

("Alternative energy technology business", "alternative energy system", and "alternative energy vehicle" would mean those terms as defined in the Michigan Next Energy Authority Act. Senate Bill 1316 would create that Act and establish the Michigan Next Energy Authority, which would have to certify an alternative energy system, an alternative energy vehicle, and certain personal property as eligible for the personal property tax exemption.)

Proposed MCL 211.9i

Legislative Analyst: George Towne

FISCAL IMPACT

This bill would reduce State and local property taxes an estimated \$22.4 million in FY 2002-03 and \$27.6 million in FY 2003-04. This loss in revenue would breakdown as follows:

- The bill would reduce State education property tax revenue an estimated \$2.3 million in FY 2002-03 and \$2.8 million in FY 2003-04. This loss in revenue would impact the School Aid Fund.
- The proposed personal property tax exemption would reduce local school district 18-mill tax revenue an estimated \$6.8 million in FY 2002-03 and \$8.4 million in FY 2003-04. Due to the structure of the State foundation allowance, this loss in revenue would be replaced for the local school districts through increased State aid from the School Aid Fund.
- Other local property tax revenue would be reduced \$13.3 million in FY 2002-03 and \$16.4 million in FY 2003-04, assuming all affected local governments would adopt this personal property tax exemption.

The fiscal impact on State government, from the loss in State education property tax revenue and the increase in School Aid Fund expenditures, would total an estimated net loss of \$9.1 million in FY 2002-03 and \$11.2 million in FY 2003-04. Schools and local governments would realize an estimated net loss of \$13.3 million in FY 2002-03 and \$16.4 million in FY 2003-04.

Date Completed: 6-19-02

Fiscal Analyst: Jay Wortley