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House Bill 5244 (Substitute S-2)
Sponsor: Representative Mary Ann Middaugh
House Committee: Commerce
Senate Committee: Commerce and Labor

Date Completed: 2-10-04

CONTENT

The bill would amend the General Property Tax Act to specify that a statement of personal property required under the Act could provide for a separate line for providing the aggregate total original cost of excluded exempt special tools. This would replace a current requirement that a person claiming a personal property tax exemption for a special tool include in the statement any special tool for which an exemption is claimed, indicating that the special tool is exempt from taxation.

The bill specifies that it would be retroactive and effective on December 31, 2003.

(Under the Act, if a local assessing officer believes that any person is in possession of personal property, the officer must require the person to make a statement of all of that person's personal property, whether owned by that person or held for another. The statement must be completed and delivered to the local assessing officer by February 20 of each year and must be in a form prescribed by the State Tax Commission.)

MCL 211.9b

BACKGROUND

Public Act 274 of 2003 (Senate Bill 811), which took effect on January 8, 2004, amended the General Property Tax Act to revise the definition of "special tool". Before that date, all special tools were exempt from the personal property tax unless the value of a special tool was included in the valuation of inventory produced for sale. "Special tools" meant those manufacturing requisites, such as dies, jigs, fixtures, molds, patterns, gauges, or other tools, as defined by the State Tax Commission, that were held for use and not for sale in the ordinary course of business. Public Act 274 defined "special tool", instead, as "a finished or unfinished device such as a die, jig, fixture, mold, pattern, special gauge, or similar device, that is used, or is being prepared for use, to manufacture a product and that cannot be used to manufacture another product without substantial modification of the device". Also, under that definition, special tools do not include any of the following:

- A device that differs in character from dies, jigs, fixtures, molds, patterns, or special gauges.
- A standard tool (a die, jig, fixture, mold, pattern, gauge, or other tool that is not a special tool).
- Machinery or equipment, even if customized, and even if used in conjunction with special tools.

The 2003 Act also specifies that the length of the economic life of the product manufactured may not be considered in determining whether a device used to manufacture the product is a special tool.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: David Zin