

# HOUSE BILL No. 4063

January 27, 2005, Introduced by Rep. Jones 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 2003 PA 140.

## 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 state.  
5       This exemption does not apply to secret or fraternal societies, but  
6       the personal property of all charitable homes of secret or  
7       fraternal societies and nonprofit corporations that own and operate  
8       facilities for the aged and chronically ill in which the net income

1 from the operation of the nonprofit corporations or secret or  
2 fraternal societies does not inure to the benefit of a person other  
3 than the residents is exempt.

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

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

13 (d) Pensions receivable from the United States.

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

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

23 (g) Household furnishings, provisions, and fuel of not more  
24 than \$5,000.00 in taxable value, of each social or professional  
25 fraternity, sorority, and student cooperative house recognized by  
26 the educational institution at which it is located.

27 (h) The working tools of a mechanic of not more than \$500.00

1 in taxable value. "Mechanic", as used in this subdivision, means a  
2 person skilled in a trade pertaining to a craft or in the  
3 construction or repair of machinery if the person's employment by  
4 others is dependent on his or her furnishing the tools.

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

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

27 (k) Personal property of not more than ~~-\$500.00-~~ **\$25,000.00** in

1 taxable value used ~~by a householder~~ in the operation of a  
2 business. ~~in the householder's dwelling or at 1 other location in~~  
3 ~~the city, township, or village in which the householder resides.~~

4 **THE EXEMPTION UNDER THIS SUBDIVISION IS AVAILABLE IN EACH LOCAL**  
5 **TAXING UNIT IN WHICH A STATEMENT IS FILED UNDER SECTION 19. THE**  
6 **EXEMPTION UNDER THIS SUBDIVISION SHALL BE APPLIED TO THE AGGREGATE**  
7 **TAXABLE VALUE OF ALL PERSONAL PROPERTY INCLUDED IN A STATEMENT**  
8 **FILED UNDER SECTION 19. AS USED IN THIS SUBDIVISION, "BUSINESS"**  
9 **MEANS A SOLE PROPRIETORSHIP, PARTNERSHIP, LIMITED PARTNERSHIP,**  
10 **LIMITED LIABILITY PARTNERSHIP, CORPORATION, LIMITED LIABILITY**  
11 **COMPANY, OR OTHER LEGAL ENTITY OPERATED FOR PROFIT.**

12 (1) The products, materials, or goods processed or otherwise  
13 and in whatever form, but expressly excepting alcoholic beverages,  
14 located in a public warehouse, United States customs port of entry  
15 bonded warehouse, dock, or port facility on December 31 of each  
16 year, if those products, materials, or goods are designated as in  
17 transit to destinations outside this state pursuant to the  
18 published tariffs of a railroad or common carrier by filing the  
19 freight bill covering the products, materials, or goods with the  
20 agency designated by the tariffs, entitling the shipper to  
21 transportation rate privileges. Products in a United States customs  
22 port of entry bonded warehouse that arrived from another state or a  
23 foreign country, whether awaiting shipment to another state or to a  
24 final destination within this state, are considered to be in  
25 transit and temporarily at rest, and not subject to the collection  
26 of taxes under this act. To obtain an exemption for products,  
27 materials, or goods under this subdivision, the owner shall file a

1 sworn statement with, and in the form required by, the assessing  
2 officer of the tax district in which the warehouse, dock, or port  
3 facility is located, at a time between the tax day, December 31,  
4 and before the assessing officer closes the assessment rolls  
5 describing the products, materials, or goods, and reporting their  
6 cost and value as of December 31 of each year. The status of  
7 persons and products, materials, or goods for which an exemption is  
8 requested is determined as of December 31, which is the tax day.  
9 Any property located in a public warehouse, dock, or port facility  
10 on December 31 of each year that is exempt from taxation under this  
11 subdivision but that is not shipped outside this state pursuant to  
12 the particular tariff under which the transportation rate privilege  
13 was established shall be assessed upon the immediately succeeding  
14 or a subsequent assessment roll by the assessing officer and taxed  
15 at the same rate of taxation as other taxable property for the year  
16 or years for which the property was exempted to the owner at the  
17 time of the omission unless the owner or person entitled to  
18 possession of the products, materials, or goods is a resident of,  
19 or authorized to do business in, this state and files with the  
20 assessing officer, with whom statements of taxable property are  
21 required to be filed, a statement under oath that the products,  
22 materials, or goods are not for sale or use in this state and will  
23 be shipped to a point or points outside this state. If a person,  
24 firm, or corporation claims exemption by filing a sworn statement,  
25 the person, firm, or corporation shall append to the statement of  
26 taxable property required to be filed in the immediately succeeding  
27 year or, if a statement of taxable property is not filed for the

1 immediately succeeding year, to a sworn statement filed on a form  
2 required by the assessing officer, a complete list of the property  
3 for which the exemption was claimed with a statement of the manner  
4 of shipment and of the point or points to which the products,  
5 materials, or goods were shipped from the public warehouse, dock,  
6 or port facility. The assessing officer shall assess the products,  
7 materials, or goods not shipped to a point or points outside this  
8 state upon the immediately succeeding assessment roll or on a  
9 subsequent assessment roll and the products, materials, or goods  
10 shall be taxed at the same rate of taxation as other taxable  
11 property for the year or years for which the property was exempted  
12 to the owner at the time of the omission. The records, accounts,  
13 and books of warehouses, docks, or port facilities, individuals,  
14 partnerships, corporations, owners, or those in possession of  
15 tangible personal property shall be open to and available for  
16 inspection, examination, or auditing by assessing officers. A  
17 warehouse, dock, port facility, individual, partnership,  
18 corporation, owner, or person in possession of tangible personal  
19 property shall report within 90 days after shipment of products,  
20 materials, or goods in transit, for which an exemption under this  
21 section was claimed or granted, the destination of shipments or  
22 parts of shipments and the cost value of those shipments or parts  
23 of shipments to the assessing officer. A warehouse, dock, port  
24 facility, individual, partnership, corporation, or owner is subject  
25 to a fine of \$100.00 for each failure to report the destination and  
26 cost value of shipments or parts of shipments as required in this  
27 subdivision. A person, firm, individual, partnership, corporation,

1 or owner failing to report products, materials, or goods located in  
2 a warehouse, dock, or port facility to the assessing officer is  
3 subject to a fine of \$100.00 and a penalty of 50% of the final  
4 amount of taxes found to be assessable for the year on property not  
5 reported, the assessable taxes and penalty to be spread on a  
6 subsequent assessment roll in the same manner as general taxes on  
7 personal property. For the purpose of this subdivision, a public  
8 warehouse, dock, or port facility means a warehouse, dock, or port  
9 facility owned or operated by a person, firm, or corporation  
10 engaged in the business of storing products, materials, or goods  
11 for hire for profit who issues a schedule of rates for storage of  
12 the products, materials, or goods and who issues warehouse receipts  
13 pursuant to 1909 PA 303, MCL 443.50 to 443.55. A United States  
14 customs port of entry bonded warehouse means a customs warehouse  
15 within a classification designated by 19 ~~C.F.R.~~ **CFR** 19.1 and that  
16 is located in a port of entry, as defined by 19 ~~C.F.R.~~ **CFR** 101.1.  
17 A portion of a public warehouse, United States customs port of  
18 entry bonded warehouse, dock, or port facility leased to a tenant  
19 or a portion of any premises owned or leased or operated by a  
20 consignor or consignee or an affiliate or subsidiary of the  
21 consignor or consignee is not a public warehouse, dock, or port  
22 facility.

23 (m) Personal property owned by a bank or trust company  
24 organized under the laws of this state, a national banking  
25 association, or an incorporated bank holding company as defined in  
26 section 2 of the bank holding company act of 1956, chapter 240, 70  
27 Stat. 133, 12 ~~U.S.C.~~ **USC** 1841, that controls a bank, national

1 banking association, trust company, or industrial bank subsidiary  
 2 located in this state. Buildings owned by a state or national bank,  
 3 trust company, or incorporated bank holding company and situated  
 4 upon ~~lands of which~~ **REAL PROPERTY THAT** the state or national  
 5 bank, trust company, or incorporated bank holding company is not  
 6 the owner of the fee are considered real property and are not  
 7 exempt ~~from taxation~~ **UNDER THIS SECTION**. Personal property owned  
 8 by a state or national bank, trust company, or incorporated bank  
 9 holding company that is leased, loaned, or otherwise made available  
 10 to and used by a private individual, association, or corporation in  
 11 connection with a business conducted for profit is not exempt ~~from~~  
 12 ~~taxation~~ **UNDER THIS SECTION**.

13 (n) Farm products, processed or otherwise, the ultimate use of  
 14 which is for human or animal consumption as food, except wine,  
 15 beer, and other alcoholic beverages regularly placed in storage in  
 16 a public warehouse, dock, or port facility while in storage are  
 17 considered in transit and only temporarily at rest and are not  
 18 subject to ~~personal property taxation~~ **THE COLLECTION OF TAXES**  
 19 **UNDER THIS ACT**. The assessing officer is the determining authority  
 20 as to what constitutes, is defined as, or classified as, farm  
 21 products as used in this subdivision. The records, accounts, and  
 22 books of warehouses, docks, or port facilities, individuals,  
 23 partnerships, corporations, owners, or those in possession of farm  
 24 products shall be open to and available for inspection,  
 25 examination, or auditing by assessing officers.

26 (o) Sugar, in solid or liquid form, produced from sugar beets,  
 27 dried beet pulp, and beet molasses if owned or held by processors.



1           (p) The personal property of a parent cooperative preschool.  
2 As used in this subdivision and section 7z, "parent cooperative  
3 preschool" means a nonprofit, nondiscriminatory educational  
4 institution maintained as a community service and administered by  
5 parents of children currently enrolled in the preschool, that  
6 provides an educational and developmental program for children  
7 younger than compulsory school age, that provides an educational  
8 program for parents, including active participation with children  
9 in preschool activities, that is directed by qualified preschool  
10 personnel, and that is licensed under 1973 PA 116, MCL 722.111 to  
11 722.128.

12           (q) All equipment used exclusively in wood harvesting, but not  
13 including portable or stationary sawmills or other equipment used  
14 in secondary processing operations. As used in this subdivision,  
15 "wood harvesting" means clearing land for forest management  
16 purposes, planting trees, all forms of cutting or chipping trees,  
17 and loading trees on trucks for removal from the harvest area.

18           (r) Liquefied petroleum gas tanks located on residential or  
19 agricultural property used to store liquefied petroleum gas for  
20 residential or agricultural property use.

21           (s) Water conditioning systems used for a residential  
22 dwelling.

23           (t) For taxes levied after December 31, 2000, aircraft  
24 excepted from the registration provisions of the aeronautics code  
25 of the state of Michigan, 1945 PA 327, MCL 259.1 to 259.208, and  
26 all other aircraft operating under the provisions of a certificate  
27 issued under 14 ~~C.F.R.~~ **CFR** part 121, and all spare parts for such

1 aircraft.