Legislative Analysis

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PERSONAL PROPERTY TAX EXEMPTION

House Bill 5251
Sponsor: Rep. Andy Coulouris
Committee: Tax Policy

Complete to 9-25-07

A SUMMARY OF HOUSE BILL 5251 AS INTRODUCED 9-19-07

Under the General Property Tax Act, local assessing districts in certain distressed areas may adopt a resolution exempting from taxation new personal property owned or leased by certain eligible businesses. To be eligible for the property tax exemption, a business must be engaged primarily in manufacturing, mining, research and development, wholesale trade, or office operations. Additionally, the business must be located within an industrial development district, renaissance zone, enterprise zone, brownfield redevelopment zone, empowerment zone, tax increment financing district, or downtown development district within a city, village, or township that contains a "distressed area," as that term is defined under the State Housing Development Authority Act.

House Bill 5251 adds that if a business with one of these exemptions (an "existing eligible business") sells or leases-out new personal property to another business (an "acquiring eligible business"), then the exemption would continue for that "acquiring eligible business" for the duration of the time period specified in the resolution providing the original exemption. The exemption would apply to the personal property being acquired or leased by the acquiring business from the existing business and to any new personal property purchased or leased by the acquiring business. The acquiring business would have to conduct business operations similar to those of the original eligible business and at the same location.

After December 31, 2007, the exemption could only be transferred and continue in effect if the governing body of the assessing district approved the continuation by adopting a resolution.

MCL 211.9f

BACKGROUND INFORMATION:

The aim of the bill is to make it easier for a company with a personal property tax exemption to sell its operations (and thus for operations to continue in existence at the same site under new ownership and with the exemption). Currently, the act does not provide a means for a local unit to transfer the tax exemption to a successor business. Reportedly, the issue arose in Saginaw County with the proposed sale of certain manufacturing operations of the Delphi Corporation. Senate Bill 276 and House Bill

4337of this session also address this issue. They are both on second reading in the House. Analyses of these bills are available on the Legislature's website.

According to the minutes of the House Tax Policy Committee, the following indicated their support for a similar House bill on 7-25-07: The Department of Treasury, the Delphi Corporation, the Saginaw County Chamber of Commerce, the Michigan Municipal League, the Detroit Regional Chamber of Commerce, and the Michigan Chamber of Commerce.

FISCAL IMPACT:

The bill would have a minimal state and local fiscal impact.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.