

PROPERTY TAX EXEMPTION FOR SMALL-SCALE SOLAR, WIND, GEOTHERMAL, & WATER ENERGY DEVICES

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House Bill 6609 (H-2 Substitute, plus proposed floor amendment)

Sponsor: Rep. Jeff Mayes

Committee: Energy and Technology

Complete to 11-13-08

A SUMMARY OF HOUSE BILL 6609 AS REPORTED FROM COMMITTEE 11-12-08

The bill would amend the General Property Tax Act to allow the owners of certain small-scale solar, wind, geothermal, or water energy conversion devices with **up to 150 kilowatts of nameplate capacity** to apply to the State Tax Commission and the Michigan Next Energy Authority for a property tax exemption certificate. Devices that have been issued a certificate would be exempt from the collection of taxes under the General Property Tax Act.

Effective date and duration. Starting December 31, 2009, eligible devices that were issued exemption certificates would be exempt from taxation. A certificate would take effect on December 31 of the year it is issued. No certificates would be issued for devices installed after December 31, 2013, but certificates issued before that date would continue in effect indefinitely unless later revoked because they were obtained on the basis of fraud or misrepresentation.

Committee action and proposed Floor Amendment. The Energy and Technology committee reported the bill with amendments increasing the limit on the capacity considered "small-scale" from 50 to 150 kilowatts and expressly allowing geothermal devices to qualify. Rep. Jeff Mayes offered a floor amendment on November 13, 2008 that would further limit certificates to devices installed after the effective date of the bill and require owners to apply for certificates within two years of installing the eligible device.

Eligible energy conversion devices. Small-scale solar, wind, geothermal, or water energy conversion devices meeting all standards prescribed by the Michigan Next Energy Authority would be considered "eligible energy conversion devices." "Small-scale" would mean having a nameplate generating capacity of not more than 150 kilowatts. "Solar, wind, geothermal, or water energy conversion device" would mean a mechanism or series of mechanisms designed primarily to collect, convert, transfer, or store for future use solar, wind, geothermal, or water energy for the purposes of heating, cooling, or electric supply, but not those parts of the system that would be needed regardless of the energy source being used. Eligible water energy conversion devices would only be those that use groundwater heat pumps or low-head hydro-energy conversion systems. A "low-head hydro-energy conversion system" would not include public utility property.

Application procedures. The owner of the energy conversion device would submit an application for an exemption certificate to the State Tax Commission and the Next Energy Authority, in the prescribed manner. If Next Energy determines that the device is eligible, it would certify its eligibility to the Tax Commission. The Tax Commission would then issue an exemption certificate that sets forth the device's total acquisition cost. (Next Energy would also notify the Tax Commission if a device is not eligible.)

Submission of certificates to applicants and assessors. The Tax Commission would send an exemption certificate (or a notice of Next Energy's refusal to certify the device) to the owner of the device and to the assessor of the local tax collecting unit by first-class mail.

Revocation of a certificate. The Tax Commission would have to revoke an exemption certificate obtained by fraud or misrepresentation, and send notice of the revocation to the owner and the local assessor by first-class mail. Depending on whether the tax roll is in the possession of the local collecting unit or the county treasurer, either the assessor or the county treasurer would have to amend the tax roll to reflect the revocation and issue a corrected or supplemental tax bill for additional taxes, interest, and penalties, as specified in the bill.

Interest on corrected or supplemental tax bills. Interest would begin to accrue on a corrected or supplemental tax bill 60 days after the tax bill is issued. Taxes levied in the corrected or supplemental bill would be considered delinquent on March 1 of the year after the issuance of the corrected or supplemental tax bill.

Appeals to Michigan Tax Tribunal. Any party aggrieved by the issuance, refusal to issue, or revocation of an exemption certificate could appeal to the Michigan Tax Tribunal.

Construction permits may still be needed. The owner of a device issued an exemption certificate might still need to obtain a construction permit required by other laws or ordinances.

[Note: Although the bill doesn't spell out how the exemption would be calculated, the bill sponsor's testimony indicated that assessors would have to disregard the installation of an eligible device with a certificate in determining the taxable value of a home or business.]

FISCAL IMPACT:

The fiscal impact of this bill depends on the number of the property tax exemption certificates issued and the value of the small scale energy conversion devices. As noted above, the intent of the bill would be to exempt the taxable value of this property.

POSITIONS:

The Department of Treasury supports the bill with amendments. (11-12-08)

The Michigan Environmental Council indicated support of the bill. (11-12-08)

The Michigan Sustainable Energy Coalition indicated support of the bill. (11-12-08)

The Michigan Farm Bureau indicated support of the legislation's concept. (11-12-08)

Michigan Biomass, Ithaca, Michigan, indicated support of the bill. (11-12-08)

Indiana Michigan Power indicated support of the bill. (11-12-08)

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