

Legislative Analysis



END RAILROAD UTILITY PROPERTY TAX CREDIT

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6222

Sponsor: Rep. Mark Meadows

Committee: Tax Policy

Complete to 6-21-10

A SUMMARY OF HOUSE BILL 6222 AS INTRODUCED 5-27-10

House Bill 6222 would eliminate the credit against the State Utility Property Tax for the maintenance and improvement of railroad rights of way by railroad companies, as of October 1, 2010.

Public Act 282 of 1905 (State Utility Tax) imposes a property tax on public service businesses, including railroads and telephone companies, which typically maintain property spanning across several taxing jurisdictions. The tax is levied in lieu of all other state and local ad valorem taxes and is imposed at a rate equal to the average statewide general ad valorem property tax rate paid by other commercial, industrial, and utility property in the preceding calendar year. The average statewide rate for FY 2008 was 48.39 mills.

The act, in Section 13, provides railroad companies with a credit against the act equal to 25 percent of the amount spent for the maintenance or improvement of rights of way, although the credit cannot exceed the total tax liability. To claim the credit, the business must file a report with the State Board of Assessors identifying the location and nature of the work completed, and demonstrating that the highest priority of expenditures is given to rail lines that handle hazardous materials, particularly those located in urban or residential areas. The credit was first established with the enactment of Public Act 290 of 1977, with the stated aim of encouraging railroad companies to upgrade and maintain tracks in the state. The act initially had a sunset date of December 31, 1981, which was extended indefinitely with the enactment of Public Act 322 of 1980. Public Act 322 also added the qualifying criteria.

[Public Act 282 also provides, in Section 13a, a credit to railroad companies and others equal to (1) all of the expenses for the maintenance or improvement of rail rolling stock (railcars) and/or (2) three-quarters of the expenses incurred for the maintenance or improvement of rights of way. The credit was first established with the enactment of Public Act 341 of 2000. Section 13a is not amended by the bill.]

FISCAL IMPACT:

House Bill 6222 would increase utility property tax revenue by an estimated \$26 million on a full year basis; all of this increase would affect the General Fund/General Purpose (GF/GP).

Legislative Analyst: Chris Couch
Fiscal Analyst: Rebecca Ross

■ 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.