

Legislative Analysis



ELECTRICITY-GENERATING TURBINES: NOT ELIGIBLE INDUSTRIAL PERSONAL PROPERTY

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

House Bills 5066-5069

Sponsor: Rep. Jim Stamas

Committee: Government Operations

Complete to 10-18-11

A SUMMARY OF HOUSE BILLS 5066-5069 AS INTRODUCED 10-13-11

Each of these bills would, essentially, specify that gas, steam, or coal-fired turbines used in the generation of electricity is not considered industrial personal property for the purpose of receiving certain exemptions and credits that are available only for eligible industrial personal property. Each of the bills says it is intended to clarify and express the original intent of the Legislature concerning the eligibility of gas, steam, or coal-fired turbines used in the generation of electricity for certain exemptions and credits. The amendatory acts created by the bills are retroactive and effective for taxes levied after December 31, 2007. The exemptions and credits include:

- The credit provided under Section 413 of the Michigan Business Tax Act, 2007 PA 36, MCL 208.1413. A taxpayer may claim a credit against the MBT equal to 35% of the eligible industrial personal property taxes paid.
- The exemption provided under Section 1211 of the Revised School Code. Industrial personal property is exempt from up to 18 mills levied for school operating purposes.
- The exemption provided under Section 903 of the State Education Tax Act, 1993 PA 331, MCL 211.903. Industrial personal property is exempt from the 6-mill State Education Tax.
- The exemption provided under Section 14 of "PA 198," 1974 PA 198, MCL 207.564. This is a property tax abatement act.

House Bill 5066 would amend the Michigan Business Tax Act. House Bill 5067 would amend the Revised School Code. House Bill 5068 would amend the State Education Tax Act. House Bill 5069 would amend the Plant Rehabilitation and Industrial Development District Act, commonly referred to as PA 198.

FISCAL IMPACT:

These bills would clarify that certain property used for the generation of electricity is not classified as industrial personal property and is therefore not eligible for certain property tax exemptions and an MBT credit. According to the Department of Treasury, these

bills, which are retroactive, would prevent refunds from being issued for an estimated \$35.7 million in school-related property taxes and an estimated \$25.6 million in MBT revenue (all GF/GP) for tax years 2008 through 2011. Beginning in tax year 2012, these bills would prevent an annual reduction in school-related property taxes of an estimated \$75.0 million and would have no change for the MBT or the new corporate income tax.

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.