



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5066 (Substitute S-2 as reported)
House Bill 5067 (Substitute S-3 as reported)
House Bill 5068 (Substitute S-2 as reported)
House Bill 5069 (Substitute S-2 as reported)
Sponsor: Representative Jim Stamas
House Committee: Government Operations
Senate Committee: Government Operations

CONTENT

The bills would amend different statutes to exclude turbines generating electricity for sale from various tax exemptions or credits that are available for industrial personal property, except as provided for wind energy systems.

Specifically, beginning December 31, 2011, industrial personal property eligible for the tax exemptions or credits would not include a turbine whose primary purpose is the generation of electricity for sale. A wind energy system supplying electricity under contracts approved by the Public Service Commission as of December 30, 2011, would remain eligible.

"Wind energy system" would mean that term as defined in the General Property Tax Act: an integrated unit consisting of a wind turbine composed of a rotor, an electrical generator, a control system, an inverter or other power conditioning unit, and a tower, which uses moving air to produce power.

The bills would take effect on December 31, 2011.

House Bill 5066 (S-2) would amend the Michigan Business Tax Act and would apply to a credit that is available for 35% of the amount paid for property taxes on eligible personal property, which is property classified as industrial personal property under the General Property Tax Act.

House Bill 5067 (S-3) would amend the Revised School Code and would apply to an exemption from school operating taxes for industrial personal property.

House Bill 5068 (S-2) would amend the State Education Tax (SET) Act and would apply to an exemption from the SET for personal property classified as industrial personal property.

House Bill 5069 (S-2) would amend the plant rehabilitation and industrial development Act (also called PA 198) and would apply to the exclusion of industrial personal property from the calculation of the industrial facility tax.

MCL 208.1413 (H.B. 5066)
380.1211 (H.B. 5067)
211.903 (H.B. 5068)
297.564 (H.B. 5069)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

House Bills 5067 (S-3), 5068 (S-2), and 5069 (S-2) would prevent a \$75.0 million per year reduction of revenue, because the bills would prevent affected turbines classified as personal property from being exempt from the State Education Tax or local mills levied for school operating purposes. Because a substantial portion of School Aid Fund expenditures is computed based on the revenue received from local mills levied for operating purposes (in order to maintain per-pupil guarantees), all of the impact would affect the School Aid Fund.

To the extent the turbines are treated as personal property, they will be subjected to different valuation methods. The valuation methods for personal property could result in the taxable value of these turbines falling by a significant amount, possibly lowering total property tax revenue from affected properties by approximately \$50.0 million to \$75.0 million per year. Any impact from lower valuations would be split between local units (including cities, villages, townships, and counties) as well as the School Aid Fund.

House Bill 5066 (S-2) also would prevent a loss of revenue to the General Fund. If the turbines are classified as personal property, they will become eligible for credits under the Michigan Business Tax (MBT). Under current law, these credits will be available for tax year 2011, and in future years if any affected taxpayers claim certificated credits under the MBT. Any reduction in revenue from the additional credits will reduce General Fund revenue. Depending on the specific characteristics of the affected property, and whether the valuations change, the value of the credits could range from \$13.7 million to \$27.3 million. The value of any credits will be higher for tax year 2011 because any changes in valuation methods will not take effect until tax year 2012.

Date Completed: 12-14-11

Fiscal Analyst: David Zin

Floor\hb5066.

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.