

House Bill 5066 (Substitute H-5 as passed by the House)
House Bill 5067 (Substitute H-5 as passed by the House)
House Bill 5068 (Substitute H-5 as passed by the House)
House Bill 5069 (Substitute H-5 as passed by the House)
Sponsor: Representative Jim Stamas
House Committee: Government Operations
Senate Committee: Government Operations

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CONTENT

The bills would amend different statutes to exclude electricity-generating turbines from various tax exemptions or credits that are available for industrial personal property.

Specifically, the bills refer to turbines used in the generation of electricity by a user, owner, or operator of the bulk-power system (as described in Federal regulations).

House Bill 5066 (H-5) would apply to a credit under the Michigan Business Tax Act. House Bill 5067 (H-5) would apply to an exemption from local school operating taxes under the Revised School Code. House Bill 5068 (H-5) would apply to an exemption from the State Education Tax. House Bill 5069 (H-5) would apply to the calculation of the industrial facility tax under the plant rehabilitation and industrial development Act (also known as PA 198).

Each bill states that it would be retroactive and effective on December 30, 2010.

House Bill 5066 (H-5)

The Michigan Business Tax Act allows a taxpayer to claim a credit equal to 35% of the amount paid for property taxes on eligible personal property in the tax year. "Eligible personal property" means personal property that is classified as industrial personal property under Section 34c of the General Property Tax Act or, in the case of personal property that is subject to PA 198, is situated on land classified as industrial real property under Section 34c. (That section prescribes classifications of assessable real and personal property.)

Under the bill, beginning December 30, 2010, eligible personal property would not include electricity-generating turbines, as described above.

House Bill 5067 (H-5)

Section 1211(1) of the Revised School Code limits the number of mills that a school district may levy for school operating purposes, and exempts various types of property, including industrial personal property, from these mills.

The Code defines "industrial personal property" as property classified in that manner under Section 34c of the General Property Tax Act. Under the bill, beginning December 30, 2010, the definition would exclude electricity-generating turbines.

House Bill 5068 (H-5)

The State Education Tax (SET) Act levies a tax on all property that is not exempt from ad valorem property taxes, but exempts from the SET personal property classified as industrial personal property.

Under the bill, beginning December 30, 2010, electricity-generating turbines would not be eligible for this exemption.

House Bill 5069 (H-5)

The plant rehabilitation and industrial development Act allows local units of government to grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in an industrial development district. Industrial property in a district is subject to the industrial facility tax, instead of the property tax.

The calculation of the personal property tax component of the industrial facility tax multiplies the taxable value of a facility by 50% of the total mills levied as ad valorem taxes by all taxing units in which the facility is located, other than mills levied under the State Education Tax Act and mills from which property is exempt under Section 1211(1) of the Revised School Code. The bill would refer to mills levied on industrial personal property under the SET Act and mills from which industrial personal property is exempt Section 1211(1) of the Revised School Code.

"Industrial personal property" would refer to personal property classified in that manner under Section 34c of the General Property Tax Act, excluding electricity-generating turbines beginning on December 30, 2010.

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 (H-5), 5068 (H-5), and 5069 (H-5) would prevent the reduction of revenue in tax year 2011 of approximately \$90.0 million and approximately \$75.0 million in future tax year, because the bills would prevent any 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 (H-5) 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.

Fiscal Analyst: David Zin

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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.