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

BILL ANALYSIS

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

Senate Bills 489 and 490 (as reported without amendment)
Sponsor: Senator Jack Brandenburg
Committee: Finance

CONTENT

Senate Bill 489 would amend the General Property Tax Act to revise the exemption for industrial or commercial personal property owned by a single taxpayer in a local unit where the combined taxable value of all such property owned by or under the control of that taxpayer is less than $40,000. The bill would do the following:

-- Allow the exemption to be claimed, instead, if the combined true cash value of all industrial and commercial personal property owned by, leased by, or in the possession of the owner or a related entity in a local unit were less than $80,000.
-- Authorize an assessor to deny an exemption for the current year and the three previous years, and issue a corrected tax bill, plus interest and penalties, if he or she believed that the property was not eligible.

The bill also would do the following with respect to this exemption and the exemptions for new and previously existing eligible manufacturing personal property:

-- Make it a misdemeanor for a person to fraudulently claim an exemption.
-- Require assessing officers to notify taxpayers of the availability of these exemptions.
-- Require a taxpayer's statement of personal property for 2015 to indicate when the property would qualify for an exemption for eligible manufacturing personal property.
-- Require a person claiming an exemption to maintain adequate books and records and provide access to them.
-- Require assessors to preserve affidavits claiming the exemptions for four years.
-- Permit the denial of an exemption to be appealed to a board of review.
-- Allow a person claiming an exemption to appeal a board of review's decision to the Michigan Tax Tribunal.

Senate Bill 490 would amend the Act to revise the exemptions for industrial and commercial personal property that is new or previously existing eligible manufacturing personal property. The bill would do the following:

-- Revise the calculation of use in industrial processing or direct integrated support, in the definition of "eligible manufacturing personal property".
-- Revise the definitions of "industrial processing" and "direct integrated support".
-- Allow an exemption to be claimed for personal property located on real property owned, leased, or occupied by the person claiming the exemption or by an affiliated person.
-- Revise the definition of "new personal property", and specify that an affidavit claiming an exemption for new personal property would apply to all existing and subsequently acquired qualified new personal property.

-- Delete a requirement that an affidavit claiming an exemption for new personal property be filed by February 20, 2016.
-- Revise provisions under which a person is not required to file an affidavit claiming an exemption or a statement of personal property in subsequent years.
-- Authorize an assessor to deny an exemption and issue a corrected tax bill if he or she believed that the property was not eligible.

MCL 211.9o et al. (S.B. 489)
211.9m & 211.9n (S.B. 490)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would have an indeterminate and likely negligible impact on State and local unit revenue. Revenue would most likely be affected by two amendments: 1) the changes in the definition of eligible personal property contained in Senate Bill 489, and 2) the changes in the definitions of eligible manufacturing personal property, direct integrated support, and industrial processing contained in Senate Bill 490. The changes in Senate Bill 489 would generally reduce the value of the exemption under current law, reducing the revenue loss to the State and local units once the exemption begins taking effect December 31, 2013. However, the potential magnitude of the changes is unknown and would depend on the specific characteristics of affected taxpayers and the local units in which affected property is located.

The changes in Senate Bill 490 could either increase or decrease the value of the exemptions relative to current law. The changes would likely exclude some property that otherwise will qualify under the current definitions, but also would likely include some property that otherwise will be excluded by the current definitions. The relative magnitude of these changes is unknown and also would depend on the specific characteristics of affected taxpayers and the local units in which affected property is located.

The amendments in Senate Bill 489 that would change the property affected by the exemption from total property with a taxable value of less than $40,000 to total property with a true cash value of less than $80,000 are not expected to have a fiscal impact. Generally, the taxable value of personal property equals one-half of the true cash value. However, exempt property is generally regarded as having a taxable value of zero. As a result, those amendments would not effectively change the property included under the exemption, but would remove some potential ambiguity regarding what property is eligible for the exemption.

In addition, the proposed misdemeanor penalty for fraudulently claiming an exemption would have an impact on local units of government, which would incur costs of imprisonment, to the extent that people were prosecuted, convicted, and sentenced to imprisonment. Penal fine revenue would benefit public libraries.

Date Completed: 9-18-13

Fiscal Analyst: David Zin