

# Legislative Analysis

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## ADD DEFINITION OF TURBINE

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### House Bills 4570-4573

**Sponsor: Rep. Aric Nesbitt**

**Committee: Government Operations**

**Complete to 6-10-15**

Analysis available at  
<http://www.legislature.mi.gov>

## SUMMARY:

House Bills 4570, 4571, 4572, and 4573 would add the following definition of "turbine" to the Revised School Code, Industrial Facilities Tax Act (known as PA 198), Michigan Business Tax Act, and State Education Tax Act, respectively:

"Turbine means all personal property, including, but not limited to, the turbine, fuel, air, lubrication, and exhaust gas systems, control systems except emissions control systems, generators, heat recovery systems, and any ancillary components and subcomponents comprising any simple 1 cycle combustion turbogenerator, any regenerative or recuperative cycle combustion turbogenerator, the combustion turbogenerator portion of any cogeneration cycle combustion system, or the combustion turbogenerator portion of any combined cycle steam or electric generating system, and any other personal property that contains the turbine property of that is necessary for the installation of the turbine property."

Adding the definition of turbine in these acts is intended to codify the intent of the legislature with regards to the taxation of personal property primarily dedicated to the generation of electricity for sale. Each of the affected acts partially exempts, or creates a credit against, ad valorem taxes on industrial personal property. However, each of these acts specifically does not include as exempt personal property, personal property used for generating electricity for sale. In fact, the same language is used in each act: "industrial personal property does not include a turbine [...] the primary purpose of which is the generation of electricity for sale"

Without this specific definition of turbine, some of this personal property could be judged as currently exempt from school operating mills or the State Education Tax (SET), as well as become exempt as "qualified previously existing personal property" under Section 9n of the General Property Tax Act (MCL 211.9n), which was added as part of the personal property tax repeal, Public Act 80 of 2014.

## FISCAL IMPACT:

As written, the bills should have no impact on state and local property tax revenues. However, while the intent of the legislature was to keep this type of personal property on the ad valorem tax rolls, paying both local property taxes and the SET, without a specific definition in statute it is possible that cases under consideration in the Tax Tribunal could result in the exemption of some turbines and turbine property. This interpretation could

also exempt existing turbines and turbine property as "qualified previously existing personal property" as defined in Section 9n of the General Property Tax Act (MCL 211.9n).

To the extent that these outcomes are prevented, the bills could be seen as having a small positive impact on local property tax and SET revenues. There could also be a small positive impact if any turbines or turbine property have already been exempted from ad valorem property taxes. The bill could be considered retroactive, and these taxes would then have to be paid to local units and the state.

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