

Legislative Analysis



MODIFY DEADLINE FOR PERSONAL PROPERTY TAX EXEMPTION FORMS

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Senate Bill 570 reported from committee as H-1
Sponsor: Sen. Dave Hildenbrand

Senate Bill 571 reported w/o amendment
Sponsor: Sen. Jack Brandenburg

Senate Bill 572 reported w/o amendment
Sponsor: Sen. David Robertson

Senate Bill 573 reported w/o amendment
Sponsor: Sen. John Proos

House Committee: Tax Policy
Senate Committee: Finance
Complete to 12-7-17

(Enacted as Public Acts 261 to 264 of 2017)

BRIEF SUMMARY: Senate Bill 570 would amend the General Property Tax Act to modify the deadline for filing forms to claim certain personal property tax exemptions. Senate Bills 571 to 573 would place the proposed modified deadline into three other sections of Michigan law that relate to property tax assessments and exemptions.

Senate Bill 570 is tie-barred to the other bills, and each of the other bills is tie-barred to SB 570, meaning that none of the bills could take effect unless all of them were enacted. Each bill would take effect December 31, 2017.

FISCAL IMPACT: The bills would have an unknown, but likely minimal, fiscal impact on state and local government. See **FISCAL INFORMATION**, below, for more information.

THE APPARENT PROBLEM:

In 2014, the Michigan legislature passed and voters approved changes to the state's taxation of personal property, with exemptions provided for specific classes and uses of personal property. Taxpayers with personal property eligible for tax exemptions are required to annually file forms with the assessor of the unit where the property is located. This is a new filing requirement, and, reportedly, there are taxpayers unaware of the filing deadlines and requirements. These taxpayers often file late or not at all. Moreover, the filing deadline in 2017 (February 20) fell on Washington's Birthday, a federal holiday that created delays in the postal system and uncertainty regarding the statutory deadline. In 2016 (Act 108) and 2017 (Act 42), late-filing taxpayers were accommodated through legislative action that provided one-time filing extensions for a specific personal property exemption form. Legislation has been introduced to create a new filing deadline to eliminate the need for future legislative action.

THE CONTENT OF THE BILLS:

Senate Bill 570 would amend the General Property Tax Act to modify the deadline for filing a combined document to claim a personal property tax exemption for qualified new and

qualified previously existing personal property. Currently under the act, this document is due to the local assessor by February 20 of each year.¹ The bill would add to this provision the following:

- If February 20 were a Saturday, Sunday, or legal holiday, the delivery deadline would be the next day that is not a Saturday, Sunday, or legal holiday.
- For purposes of delivery by United States Postal Service, the delivery is on time if it is postmarked on or before the delivery deadline.
- If the delivery were not on time according to the above standards, a late application of the combined document could be filed directly with the March Board of Review before its final adjournment. The Board could not accept filings after its adjournment.
- An appeal of a denial by the March Board of Review could be made by filing a petition with the Tax Tribunal within 35 days.

The bill would also apply this revised deadline to all the following:

- The filing of a statement for exemption of “eligible personal property” under section 9o of the act (commonly called the small taxpayer exemption).
- The filing of a document for exemption of new personal property under section 9f of the act (for property in an “eligible local assessing district”).
- The filing of a statement of all personal property under section 19 of the act.

Finally, the bill would remove the requirement that the board of review meetings in July and December hear appeals for the small parcel exemption.

MCL 211.9f, et al.

Senate Bills 571 and 572 would amend the State Essential Services Assessment Act and Alternative State Essential Services Assessment Act, respectively, to reference the revised deadline proposed in SB 570 in regard to a combined document that the Department of Treasury may require of eligible claimants under each act.

MCL 211.1057 and MCL 211.1077, respectively

Senate Bill 573 would amend Act 198 of 1974 (Plant Rehabilitation and Industrial Development Districts) to reference the timeline proposed in SB 570 in regard to a combined filing required of holders of industrial facilities exemption certificates.

MCL 207.561a

FISCAL INFORMATION:

The bills would have an unknown, but likely minimal, fiscal impact on state and local government. The revenue impact would be directly correlated to the number of properties that wouldn't have otherwise qualified for an exemption but for the filing deadline extensions, the taxable value of the properties affected, and local millage rates. Personal property tax (PPT) exemptions would lower local property tax revenue and State School Aid Fund revenue from

¹ Michigan Department of Treasury Form 5278, available online at:
https://www.michigan.gov/documents/taxes/5278_500796_7.pdf

the State Education Tax (SET). Revenue from the 18 mills (generally) levied for school operating purposes and SET revenue lost as a result of PPT exemptions are required to be replaced from the State's share of use tax revenue that would otherwise be deposited in the General Fund.

While the total amount of Local Community Stabilization Authority payments in any given year are fixed in statute, the distribution of those payments would change to accommodate any newly exempt property under the provisions of the bill. Revenue from the Essential Services Assessment would increase by an unknown amount depending on the number of properties affected by the bill's provisions.

The provisions of the bill authorizing a late filing directly with the Board of Review would lead to additional casework for an affected Board of Review. However, any additional time or expenses would likely be covered under current operations at the local level.

ARGUMENTS:

For:

The bills represent a needed solution to what has become an annual problem. By giving clarity to the filing deadline date, especially regarding holidays and postmark dates, and providing the option for a direct late filing with the Board of Review, taxpayers will have greater access to the personal property tax exemptions for which they are eligible. These provisions are consistent with the administration of many other taxes. Additionally, the bills should effectively end the need for temporary, one-time legislative solutions.

POSITIONS:

Representatives from the following entities testified in support of the bills:

Michigan Manufacturers Association (11-8-17, and indicated support 11-29-17)

Michigan Department of Treasury (11-8-17; indicated support of SB 570 with amendment).

Representatives from the following entities indicated support for the bills:

Michigan Townships Association (11-8-17)

Michigan Chamber of Commerce (11-8-17, 11-29-17)

Detroit Regional Chamber (11-29-17)

Michigan Assessors Association (11-29-17)

Legislative Analyst: Patrick Morris

Fiscal Analyst: Ben Gielczyk

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.