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BILL ANALYSIS

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Senate Bills 570 through 573 (as enacted)
Sponsor: Senator Dave Hildenbrand (S.B. 570)
Senator Jack Brandenburg (S.B. 571)
Senator Dave Robertson (S.B. 572)
Senator John Proos (S.B. 573)

Senate Committee: Finance
House Committee: Tax Policy

Date Completed: 5-10-18

PUBLIC ACTS 261-264 of 2017**CONTENT**

Senate Bill 570 amended the General Property Tax Act to do the following:

- **Change the February 20 deadline for submitting a combined document for the exemption of eligible manufacturing personal property, if February 20 is a Saturday, Sunday, or legal holiday.**
- **Specify that a combined document delivered by the U.S. Postal Service is timely filed if it is postmarked by the deadline.**
- **Allow a late application to be filed directly with the March board of review before it adjourns.**
- **Apply the revised deadline to a statement for an exemption claimed under Section 9o (commonly called the small parcel exemption for industrial or commercial personal property), and a combined document filed under Section 9f (for the exemption of new personal property in an "eligible local assessing district").**
- **Apply the revised deadline to the annual statement of personal property that must be filed with the local assessor.**
- **Delete a requirement that the July and December board of review hear appeals concerning an exemption under Section 9o.**

Senate Bills 571, 572, and 573 amended the State Essential Services Assessment Act, the Alternative State Essential Services Assessment Act, and the plant rehabilitation and industrial development Act, respectively, to require a combined document described under each Act to be filed by the date found in the General Property Tax Act.

Each of the bills took effect on December 31, 2017.

Senate Bill 570**Filing Deadline Modifications**

Sections 9m and 9n of the General Property Tax Act provide for the exemption of qualified new personal and qualified previously existing personal property, respectively, for which an exemption has been properly claimed beginning on December 31, 2015. (Qualified new or previously existing personal property is eligible manufacturing personal property, as defined in the Act.)

Sections 9m and 9n require the entity eligible for the exemption to deliver a combined document to the assessor of the township or city in which the eligible personal property is located by February 20 of each year. The bill amends the deadline as described below.

Under the bill, if February 20 of a year is a Saturday, Sunday, or legal holiday, the delivery deadline for that year is the next day that is not a Saturday, Sunday, or legal holiday. For purposes of a combined document delivered by the United States Postal Service, the delivery is timely if the postmark date is on or before the delivery deadline prescribed in these provisions. If the combined document is not timely delivered to the assessor of the township or city, a late application may be filed directly with the March board of review before its final adjournment by submission of the combined document. The board of review may not accept a filing after adjournment of its March meeting. An appeal of a denial by the March board of review may be made by filing a petition with the Michigan Tax Tribunal within 35 days of the denial notice.

Section 9o of the Act provides for an exemption, beginning December 31, 2013, of industrial personal property or commercial personal property owned by a person in a local tax collecting unit, if the combined true cash value of all industrial personal property and commercial personal property in a local tax collecting unit owned by, leased by, or in the possession of the owner or a related entity is less than \$80,000 on December 31 of the preceding year. Previously, to claim the exemption, an owner of eligible property had to file an affidavit with the local tax collecting unit in which the eligible personal property was located by February 10 in each tax year. The bill changed the filing deadline to February 20 or the revised deadline described above, and refers to a statement, instead of an affidavit. In addition, the bill requires a local tax collecting unit to accept an electronic or facsimile signature on the statement.

Section 9f of the Act allows the governing body of an eligible local assessing district, or the board of a Next Michigan Development Corporation (NMDC), to adopt a resolution exempting from the collection of taxes under the Act all new personal property leased or owned by an eligible business located in an eligible district (e.g., an industrial development district, a renaissance zone, an enterprise zone, or a brownfield redevelopment zone.) An "eligible local assessing district" is a city, village, or township that contains an eligible distressed area or that is a party to an intergovernmental agreement creating an NMDC; or a city, village, or township that is located in a county that borders another state or Canada and meets other criteria. An eligible business that owns new personal property that is exempt under Section 9f must deliver a combined document as prescribed in Sections 9m and 9n to the assessor of the township or city where the property is located each year that the property is eligible personal property. The bill requires delivery in the time, form, and manner prescribed in Sections 9m and 9n, and deleted a February 20 delivery deadline.

Section 19 of the Act requires any person whom an assessment officer or supervisor believes possesses personal property to make a statement containing various information relating to the personal property and submit it to the assessor or supervisor by February 20 of each year. The bill modifies the filing deadline to reflect the revised deadline described above.

Board of Review Appeals

Under Section 9o, if the assessor of the local tax collecting unit believes that personal property for which an affidavit claiming an exemption has been timely and properly filed is not eligible personal property, he or she may deny that claim for exemption by notifying the person that filed the affidavit of the reason for the denial and advising the person that the denial may be appealed to the board of review during that tax year under Section 30. Previously, the Act referred to Section 30 or Section 53b.

(Section 30 requires the board of review to meet on the second Monday in March, while Section 53b requires that the board of review to meet on Tuesday following the second Monday in December and on Tuesday following the third Monday in July.)

Previously, under Section 53b, for an appeal of a denial of a claim of exemption for personal property under Section 9o, if an exemption was approved, the board of review had to remove the personal property from the assessment roll. If an exemption for personal property under Section 9o was approved, the board of review had to file an affidavit with the proper official involved in the assessment and collection of taxes and all affected official records had to be corrected. If the board of review did not approve an exemption, the person claiming it could appeal that decision to the Michigan Tax Tribunal. A correction that approved an exemption under Section 9o could be made for the year in which the appeal was filed and the immediately preceding three tax years. The bill deleted these provisions, and removed a requirement that the board of review hear appeals provided for in Section 9o during the July and December meetings.

Senate Bill 571

The "state essential services assessment" (or State ESA) is a specific tax on eligible personal property owned by, leased to, or in the possession of an eligible claimant (a person claiming an exemption for the property) on December 31 of the year immediately preceding the assessment year. The assessment took effect on January 1, 2016.

"Eligible personal property" means personal property that is exempt under Section 9m or 9n of the General Property Tax Act; personal property that is eligible manufacturing personal property as defined in Section 9m and that has an approved exemption under Section 9f of the Act unless certain conditions are satisfied; personal property subject to an extended industrial facilities exemption certificate under Section 11a of the plant rehabilitation and industrial development Act; and personal property that is subject to an extended exemption under Section 9f(8)(a) of the General Property Tax Act (which provides for continuation of an exemption issued before or on April 30, 1999). (Section 11a is described below.)

Under the State Essential Services Assessment Act, as amended by the bill, the Department of Treasury may require eligible claimants to annually file by the dates required under the General Property Tax Act a combined document that includes the form to claim the exemption under Sections 9f, 9m, and 9n of that Act, and under Section 11a of the plant rehabilitation and industrial development Act, a report of the fair market value and year of acquisition by the first owner of eligible personal property, and for any year before 2023, a statement under Section 19 of the General Property Tax Act. Previously, an eligible claimant had to file these documents by February 20 each year.

Senate Bill 572

The Alternative State Essential Services Assessment Act provides for the "alternative essential services assessment", which is a specific tax on eligible personal property owned by, leased to, or in the possession of an eligible claimant on December 31 of the year immediately preceding the assessment year. The assessment took effect on January 1, 2016, and is 50% of the State ESA.

Under the bill, the Department of Treasury may require eligible claimants to file by the dates required under the General Property Tax Act a combined document that includes the form to claim the exemption under Sections 9f, 9m, and 9n of the General Property Tax Act, and under Section 11a of the plant rehabilitation and industrial development Act, a report of the fair market value and year of acquisition by the first owner of eligible personal property, and

for any year before 2023, a statement under Section 19 of the General Property Tax Act. Previously, these documents had to be filed by February 20 each year.

Senate Bill 573

The plant rehabilitation and industrial development Act allows local units of government to approve applications for industrial facilities exemption certificates for new and speculative buildings and replacement facilities located in a plant rehabilitation district or an industrial development district. An approved application must be forwarded to the State Tax Commission, which issues an exemption certificate if the facility conforms with the Act. A certificate essentially grants a property tax abatement to a facility, which then is subject to an industrial facilities tax that is lower than standard property taxes.

Under Section 11a, if a facility was subject to an industrial facilities exemption certificate on or after December 31, 2012, that portion of the facility that is eligible manufacturing personal property must remain subject to the industrial facilities tax and exempt from ad valorem property taxes until that eligible manufacturing personal property would otherwise be exempt from the collection of taxes under Section 9m, 9n, or 9o of the General Property Tax Act. The holder of an industrial facilities exemption certificate that has been extended is required to indicate that portion of a facility that is eligible manufacturing personal property by filing the combined document required under Section 9m or 9n of the Act with the assessor of the township or city in which the property is located by February 20 of each year. Under the bill, this document must be filed annually by the date required under Section 9m or 9n of the Act, instead of by February 20 each year.

MCL 211.9f et al. (S.B. 570)
211.1057 (S.B. 571)
211.1077 (S.B. 572)
207.561a (S.B. 573)

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The changes in timing for filing personal property tax exemptions and appeals related to those exemptions will have a minimal fiscal impact on local and State government. Previously, extensions of the filing deadlines for various personal property tax exemptions were enacted for 2014 (small parcel exemption), and 2016 and 2017 (qualified new and qualified existing eligible manufacturing personal property). The process in the bills is a shorter extension than the extensions granted separately for 2016 and 2017. Also, a local board of review likely will have additional cases due to the option to file personal property tax exemptions directly with the board of review.

In general, an additional exemption from personal property taxation reduces local property tax revenue and State School Aid Fund revenue from the State Education Tax, increases the State cost of the foundation allowance, increases State General Fund revenue from the Essential Services Assessment, and changes the distribution of reimbursement payments from the Local Community Stabilization Authority (LCSA) to eligible local governmental units. The General Fund also is required to reimburse the School Aid Fund for lost revenue and additional costs of the personal property tax exemptions. The magnitude of these effects related to the bills will depend on the number and specific characteristics of the properties approved under the filing deadline extensions. Total LCSA reimbursements are set in statute and will not be changed by the bills.

Fiscal Analyst: Ryan Bergan

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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.