



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4069 (Substitute H-2 as reported without amendment)

House Bill 4465 (as reported without amendment)

Sponsor: Representative Bronna Kahle (H.B. 4069)

Representative Yousef Rabhi (H.B. 4465)

House Committee: Tax Policy

Ways and Means

Senate Committee: Finance

CONTENT

House Bill 4465 would amend the General Property Tax Act to do the following:

- Delete the certification and resolution process for alternative energy personal property tax exemptions.
- Apply the alternative energy personal property exemption to taxes levied on an alternative energy system after the bill's effective date, provided that it met certain conditions.

House Bill 4069 (H-2) would amend the General Property Tax Act to modify references to accommodate the changes proposed in Senate Bill 47 (H-1).

House Bill 4069 (H-2) is tie-barred to Senate Bill 47 (Senate Bill 47 (H-1) would amend the General Property Tax Act to specify that installing, replacing, or repairing an alternative energy system, without regard to ownership of the system, with a generating capacity of not more than 150 kilowatts, the annual energy output of which did not exceed the annual energy consumption measured by the utility-provided electrical meter on the system to which it was connected, would be considered normal maintenance if it were not a part of a structural addition or completion for the purposes of determining a property's taxable value.)

MCL 211.34d (H.B. 4069)
211.9i (H.B. 4465)

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bills would reduce State and local property tax revenue, and increase School Aid Fund expenditures, by an unknown amount that would depend on the value of the affected property, local millage rates, and the number of parcels affected.

Under current legal interpretations, most solar energy/solar panels already are exempt from the State Education Tax and the 18 mills levied on nonhomestead property for local school operating purposes. As a result, for solar-related property, the bills would have no effect on State revenue or expense, although the bills would reduce local unit revenue. For alternative energy property other than solar-related property, the bills would reduce both State and local revenue, and increase School Aid Fund expenditures, if per pupil allowances were maintained.

The bills do present several technical issues, including some that would affect the magnitude of any revenue loss. For example, House Bill 4465 Section 2(B)(ii) would apply only to

property installed after the bill's effective date. As a result, the bill would fully exempt affected property installed before the bill's effective date but would subject property installed after the bill's effective date to a limit of \$80,000 in true cash value. Additionally, unlike the limit imposed by Section 9o (to which the bill refers), the bill does not appear to define the relevant jurisdiction for the \$80,000 limit. As a result, it is unclear if the \$80,000 limit would apply on a taxing unit basis (as in section 9o), or if it would apply on a statewide basis, or taxpayer basis, or some other jurisdictional level. Furthermore, the bill would permit a taxpayer that was not claiming the exemption under 9o to claim an \$80,000 exemption for affected property, even if the reason the taxpayer was not claiming the exemption was because the other personal property owned by the taxpayer exceeded \$80,000 in true cash value.

Similarly, Senate Bill 47, to which House Bill 4069 (H-2) is tie-barred, would add "installing" alternative energy property as part of the definition of "normal maintenance", in addition to replacing or repairing such property. However, the section would permit normal maintenance to be exempted from consideration only if it were "not part of a structural addition". Assessors are likely to differ in their interpretations as to whether or not installing new alternative energy property constitutes a "part of a structural addition", especially when no alternative energy equipment or system has previously been affixed to the property.

Finally, House Bill 4465 is not tie-barred to any bill, and neither Senate Bill 47 nor House Bill 4069 (H-2) are tie-barred to House Bill 4465. If House Bill 4069 and Senate Bill 47 took effect but House Bill 4465 was not enacted, the changes to the definition of additions in House Bill 4069 would affect the taxable value of a property in the year the alternative energy property was installed and for as long as owned by the owner who installed the property. However, if the property were sold to a new taxpayer, the value of the alternative energy property would be included in the base taxable of the property and thus be subjected to tax.

Date Completed: 10-21-19

Fiscal Analyst: David Zin