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BILL ANALYSIS

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Senate Bill 331 (as introduced 5-11-23) *(Senate-passed version)*
Sponsor: Senator Kevin Hertel
Committee: Finance, Insurance, and Consumer Protection

Date Completed: 9-13-23

INTRODUCTION

The bill would modify the property tax exemption process. Eligible personal property with a combined true cash value below $80,000 would continue to be exempt under the current framework. For an exemption on eligible personal property valued at greater than $80,000 and less than $180,000, an owner would have to submit a statement of assessable personal property along with an affidavit that confirmed the value. Additionally, the bill would increase, from 1.0% to 1.25%, the interest rate payable on an additional or supplemental tax bill resulting from the rescission of an exemption on eligible personal property.

The bill would take effect December 31, 2023.

FISCAL IMPACT

The bill would have a minor positive fiscal impact on local government units and no fiscal impact on the State. There could be an increase in revenue to the local units of government as the penalty for failing to file a recission on property that was later found to be ineligible would increase from 1.0% per month to 1.25% per month.

However, in the previous session, two tie-barred bills accompanied this reintroduction (see **PREVIOUS LEGISLATION**) and the fiscal impact of those tie-barred bills would include a reduction of State General Fund revenue by $75.0 million per year. House Bills 4553 and 4554 from the current session are reintroductions of those accompanying bills and are tie-barred to Senate Bill 331. These bills also would allow for double reimbursements for certain property tax losses while other local units would receive lower payments.

PREVIOUS LEGISLATION

(Please note: This section does not provide a comprehensive account of all previous legislative efforts on the relevant subject matter.)

The bill is a reintroduction of Senate Bill 1060 of the 2021-2022 Legislative Session. Senate Bill 1060 passed the Senate and was discharged from the House Committee on Tax Policy but received no further action.

MCL 211.9o et al.

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CONTENT

The bill would amend the General Property Tax Act to do the following:

- **Specify that the current framework for claiming an exemption for eligible personal property would apply only to property with a combined true cash value of less than $80,000.**
- **Require a claimant for an exemption for eligible personal property with a combined true cash value of equal to or greater than $80,000 and less than $180,000 to file a statement of assessable personal property and an affidavit attesting to the combined true cash value.**
- **Increase, from 1.0% to 1.25%, the interest rate payable on an additional or supplemental tax bill resulting from the rescission of an exemption on eligible personal property.**
- **Allow an assessor to deny a claim for an exemption under the bill and prescribe the procedures for denial.**

Definition; "Eligible Property"

Under the Act, "eligible personal property" means property that meets all the following conditions:

- Is industrial personal property or commercial personal property.
- The combined true cash value of all industrial personal property and commercial personal property in that local tax collecting unit owned by, leased to, or in the possession of the person claiming an exemption or a related entity on December 31 of the immediately preceding year is less than $180,000.
- Is not leased to or used by a person that previously owned the property or a person that, directly or indirectly, controls, is controlled by, or is under common control with the person that previously owned the property.

Under the bill, the combined true cash value of all industrial personal property and commercial personal property in that local tax collecting unit owned by, leased to, or in the possession of the person claiming an exemption or a related entity on December 31 of the immediately preceding year would have to be either less than $80,000, or equal to or greater than $80,000 and less than $180,000.

Claiming Exemption

Under the General Property Tax Act, eligible personal property for which an exemption has been properly claimed is exempt from the collection of property tax. An owner of eligible personal property must claim the exemption by filing a statement with the local tax collecting unit in which the eligible personal property is located in a form prescribed by the State Tax Commission and by the date prescribed in the Act.

Under the bill, this would apply to an exemption claim for eligible property that was industrial personal property or commercial personal property and had a combined true cash value of all industrial or commercial personal property in that tax collecting unit owned by, leased to, or in possession of the claimant or a related entity on December 31 of the immediately preceding year that was less than $80,000. An exemption claimed that satisfied this criteria would remain in effect if the property's owner subsequently filed a claim for exemption as specified below and one of the following conditions was met:

-- It was determined that the property did not qualify for the exemption as eligible personal property with a combined true cash value of more than $80,000 and less than $180,000 but continued to qualify for the exemption for eligible personal property with a combined true cash value of less than $80,000.
-- After having been granted exempt status as eligible personal property with a combined true cash value of more than $80,000 and less than $180,000, it was determined that the property's exempt status had changed to the other criterion.

For an exemption claim for eligible property with a combined true cash value of more than $80,000 and less than $180,000, the exemption would have to be claimed annually by filing a statement of personal property under Section 19 with the local tax collecting unit in which the eligible personal property is located. Together with the statement, the owner also would have to file an affidavit attesting to the combined true cash value of all industrial personal property and commercial personal property in that local tax collecting unit owned by, leased to, or in the possession of that owner or a related entity on December 31 of the immediately preceding year, and that the combined true cash value was equal to or greater than $80,000 and less than $180,000. By April 1 of each year, local tax collecting units would have to transmit to the Department of Treasury summary information of all exemptions granted each year to provide the Department with data needed to compensate municipalities for revenue lost because of those exemptions. An exemption claim of this nature would have to be treated as a claim for an exemption for eligible personal property with a combined true cash value of less than $80,000 if it were determined that the property for which the exemption was sought qualified for that exemption.

(Section 19 requires a supervisor or other assessing officer to require a person whom he or she believes has personal property in their possession to make a statement of personal property.)

Currently, if a statement claiming an exemption is filed as provided above, the owner of that eligible personal property does not have file a statement under Section 19. Under the bill, this would apply to a statement claiming an exemption for eligible personal property with a combined true cash value of less than $80,000.

<u>Duration of Exemption</u>

The Act specifies that an exemption remains in effect until the personal property is no longer eligible personal property. An owner whose personal property is no longer eligible personal property must file a recission by February 20 of the year specifying that the property is no longer eligible and the Section 19 statement. The rescission must be filed on a form prescribed by the Department. After receiving a rescission form, the local assessor must immediately remove the exemption.

Under the bill, this would apply to exemptions for eligible personal property with a combined true cash value of less than $80,000. An owner whose personal property was no longer eligible personal property under that criterion would have to do one of the following, as applicable:

-- If the owner intended to claim that the property was eligible personal property with a combined true cash value equal to or greater than $80,000 and less than $180,000, file for the exemption, as specified above.
-- If the owner did not intend to claim that the property was eligible personal property as described above, file the rescission and Section 19 statement as currently required.

Denying Exemption Claim

The bill would allow an assessor to deny a claim for exemption for eligible personal property with a combined true cash value of less than $80,000 or equal to or greater than $80,000 and less than $180,000 for the current year and for the three immediately preceding calendar years. If the assessor denied a claim, the assessor would have to remove the exemption of that personal property and, if the tax roll were in the local tax collecting unit's possession, amend it to reflect the denial and, within 30 days after the date of the denial, the local treasurer would have to issue a corrected tax bill for any additional taxes with interest at the rate of 1.25% per month or fraction of a month and penalties computed from the date the taxes were last payable without interest or penalty.

In the latter case, if the tax roll were in the county treasurer's possession, it would have to be amended to reflect the denial and the county treasurer, within 30 days after the date of the denial, would have to prepare and submit a supplemental tax bill for any additional taxes, together with interest at the rate of 1.25% per month or fraction of a month and penalties computed from the date the taxes were last payable without interest or penalty. Interest on any tax in a corrected or supplemental tax bill would accrue 60 days after the date the corrected or supplemental tax bill was issued at the rate of 1.25% per month or fraction of a month. Taxes levied in a corrected or supplemental tax bill would have to be returned as delinquent on March 1 in the year immediately after the year in which the corrected or supplemental tax bill was issued.

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