

HOUSE BILL No. 4055

January 27, 2005, Introduced by Rep. Hansen and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 9 (MCL 211.9), as amended by 2003 PA 140.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 9. The following personal property is exempt from
2 taxation:

3 (a) The personal property of charitable, educational, and
4 scientific institutions incorporated under the laws of this state.
5 This exemption does not apply to secret or fraternal societies, but
6 the personal property of all charitable homes of secret or
7 fraternal societies and nonprofit corporations that own and operate
8 facilities for the aged and chronically ill in which the net income
9 from the operation of the nonprofit corporations or secret or

1 fraternal societies does not inure to the benefit of a person other
2 than the residents is exempt.

3 (b) The property of all library associations, circulating
4 libraries, libraries of reference, and reading rooms owned or
5 supported by the public and not used for gain.

6 (c) The property of posts of the grand army of the republic,
7 sons of veterans' unions, and of the women's relief corps connected
8 with them, of young men's Christian associations, women's Christian
9 temperance union associations, young people's Christian unions, a
10 boy or girl scout or camp fire girls organization, 4-H clubs, and
11 other similar associations.

12 (d) Pensions receivable from the United States.

13 (e) The property of Indians who are not citizens.

14 (f) The personal property owned and used by a householder such
15 as customary furniture, fixtures, provisions, fuel, and other
16 similar equipment, wearing apparel including personal jewelry,
17 family pictures, school books, library books of reference, and
18 allied items. Personal property is not exempt under this
19 subdivision if it is used to produce income, if it is held for
20 speculative investment, or if it constitutes an inventory of goods
21 for sale in the regular course of trade.

22 (g) Household furnishings, provisions, and fuel of not more
23 than \$5,000.00 in taxable value, of each social or professional
24 fraternity, sorority, and student cooperative house recognized by
25 the educational institution at which it is located.

26 (h) The working tools of a mechanic of not more than \$500.00
27 in taxable value. "Mechanic", as used in this subdivision, means a

1 person skilled in a trade pertaining to a craft or in the
2 construction or repair of machinery if the person's employment by
3 others is dependent on his or her furnishing the tools.

4 (i) Fire engines and other implements used in extinguishing
5 fires owned or used by an organized or independent fire company.

6 (j) Property actually used in agricultural operations and farm
7 implements held for sale or resale by retail servicing dealers for
8 use in agricultural production. As used in this subdivision,
9 "agricultural operations" means farming in all its branches,
10 including cultivation of the soil, growing and harvesting of an
11 agricultural, horticultural, or floricultural commodity, dairying,
12 raising of livestock, bees, fur-bearing animals, or poultry,
13 **RAISING OR GROWING OF GRAINS, FRUITS, VEGETABLES, BEDDING PLANTS,**
14 **AND NURSERY STOCK,** turf and tree farming, raising and harvesting of
15 fish, and any practices performed by a farmer or on a farm as an
16 incident to, or in conjunction with, farming operations, but
17 excluding retail sales and food processing operations. Property
18 used in agricultural operations includes machinery used to prepare
19 the crop for market operated incidental to a farming operation that
20 does not substantially alter the form, shape, or substance of the
21 crop and is limited to cleaning, cooling, washing, pitting,
22 grading, sizing, sorting, drying, bagging, boxing, crating, and
23 handling if not less than 33% of the volume of the crops processed
24 in the year ending on the applicable tax day or in at least 3 of
25 the immediately preceding 5 years were grown by the farmer in
26 Michigan who is the owner or user of the crop processing machinery.
27 (k) Personal property of not more than \$500.00 in taxable

1 value used by a householder in the operation of a business in the
2 householder's dwelling or at 1 other location in the city,
3 township, or village in which the householder resides.

4 (l) The products, materials, or goods processed or otherwise
5 and in whatever form, but expressly excepting alcoholic beverages,
6 located in a public warehouse, United States customs port of entry
7 bonded warehouse, dock, or port facility on December 31 of each
8 year, if those products, materials, or goods are designated as in
9 transit to destinations outside this state pursuant to the
10 published tariffs of a railroad or common carrier by filing the
11 freight bill covering the products, materials, or goods with the
12 agency designated by the tariffs, entitling the shipper to
13 transportation rate privileges. Products in a United States customs
14 port of entry bonded warehouse that arrived from another state or a
15 foreign country, whether awaiting shipment to another state or to a
16 final destination within this state, are considered to be in
17 transit and temporarily at rest, and not subject to the collection
18 of taxes under this act. To obtain an exemption for products,
19 materials, or goods under this subdivision, the owner shall file a
20 sworn statement with, and in the form required by, the assessing
21 officer of the tax district in which the warehouse, dock, or port
22 facility is located, at a time between the tax day, December 31,
23 and before the assessing officer closes the assessment rolls
24 describing the products, materials, or goods, and reporting their
25 cost and value as of December 31 of each year. The status of
26 persons and products, materials, or goods for which an exemption is
27 requested is determined as of December 31, which is the tax day.

1 Any property located in a public warehouse, dock, or port facility
2 on December 31 of each year that is exempt from taxation under this
3 subdivision but that is not shipped outside this state pursuant to
4 the particular tariff under which the transportation rate privilege
5 was established shall be assessed upon the immediately succeeding
6 or a subsequent assessment roll by the assessing officer and taxed
7 at the same rate of taxation as other taxable property for the year
8 or years for which the property was exempted to the owner at the
9 time of the omission unless the owner or person entitled to
10 possession of the products, materials, or goods is a resident of,
11 or authorized to do business in, this state and files with the
12 assessing officer, with whom statements of taxable property are
13 required to be filed, a statement under oath that the products,
14 materials, or goods are not for sale or use in this state and will
15 be shipped to a point or points outside this state. If a person,
16 firm, or corporation claims exemption by filing a sworn statement,
17 the person, firm, or corporation shall append to the statement of
18 taxable property required to be filed in the immediately succeeding
19 year or, if a statement of taxable property is not filed for the
20 immediately succeeding year, to a sworn statement filed on a form
21 required by the assessing officer, a complete list of the property
22 for which the exemption was claimed with a statement of the manner
23 of shipment and of the point or points to which the products,
24 materials, or goods were shipped from the public warehouse, dock,
25 or port facility. The assessing officer shall assess the products,
26 materials, or goods not shipped to a point or points outside this
27 state upon the immediately succeeding assessment roll or on a

1 subsequent assessment roll and the products, materials, or goods
2 shall be taxed at the same rate of taxation as other taxable
3 property for the year or years for which the property was exempted
4 to the owner at the time of the omission. The records, accounts,
5 and books of warehouses, docks, or port facilities, individuals,
6 partnerships, corporations, owners, or those in possession of
7 tangible personal property shall be open to and available for
8 inspection, examination, or auditing by assessing officers. A
9 warehouse, dock, port facility, individual, partnership,
10 corporation, owner, or person in possession of tangible personal
11 property shall report within 90 days after shipment of products,
12 materials, or goods in transit, for which an exemption under this
13 section was claimed or granted, the destination of shipments or
14 parts of shipments and the cost value of those shipments or parts
15 of shipments to the assessing officer. A warehouse, dock, port
16 facility, individual, partnership, corporation, or owner is subject
17 to a fine of \$100.00 for each failure to report the destination and
18 cost value of shipments or parts of shipments as required in this
19 subdivision. A person, firm, individual, partnership, corporation,
20 or owner failing to report products, materials, or goods located in
21 a warehouse, dock, or port facility to the assessing officer is
22 subject to a fine of \$100.00 and a penalty of 50% of the final
23 amount of taxes found to be assessable for the year on property not
24 reported, the assessable taxes and penalty to be spread on a
25 subsequent assessment roll in the same manner as general taxes on
26 personal property. For the purpose of this subdivision, a public
27 warehouse, dock, or port facility means a warehouse, dock, or port

1 facility owned or operated by a person, firm, or corporation
2 engaged in the business of storing products, materials, or goods
3 for hire for profit who issues a schedule of rates for storage of
4 the products, materials, or goods and who issues warehouse receipts
5 pursuant to 1909 PA 303, MCL 443.50 to 443.55. A United States
6 customs port of entry bonded warehouse means a customs warehouse
7 within a classification designated by 19 ~~C.F.R.~~ **CFR** 19.1 and that
8 is located in a port of entry, as defined by 19 ~~C.F.R.~~ **CFR** 101.1.
9 A portion of a public warehouse, United States customs port of
10 entry bonded warehouse, dock, or port facility leased to a tenant
11 or a portion of any premises owned or leased or operated by a
12 consignor or consignee or an affiliate or subsidiary of the
13 consignor or consignee is not a public warehouse, dock, or port
14 facility.

15 (m) Personal property owned by a bank or trust company
16 organized under the laws of this state, a national banking
17 association, or an incorporated bank holding company as defined in
18 ~~section 2 of the bank holding company act of 1956, chapter 240, 70~~
19 ~~Stat. 133, 12 U.S.C. 1841~~ **12 USC 1841**, that controls a bank,
20 national banking association, trust company, or industrial bank
21 subsidiary located in this state. Buildings owned by a state or
22 national bank, trust company, or incorporated bank holding company
23 and situated upon lands of which the state or national bank, trust
24 company, or incorporated bank holding company is not the owner of
25 the fee are considered real property and are not exempt from
26 taxation. Personal property owned by a state or national bank,
27 trust company, or incorporated bank holding company that is leased,

1 loaned, or otherwise made available to and used by a private
2 individual, association, or corporation in connection with a
3 business conducted for profit is not exempt from taxation.

4 (n) Farm products, processed or otherwise, the ultimate use of
5 which is for human or animal consumption as food, except wine,
6 beer, and other alcoholic beverages regularly placed in storage in
7 a public warehouse, dock, or port facility while in storage are
8 considered in transit and only temporarily at rest and are not
9 subject to personal property taxation. The assessing officer is the
10 determining authority as to what constitutes, is defined as, or
11 classified as, farm products as used in this subdivision. The
12 records, accounts, and books of warehouses, docks, or port
13 facilities, individuals, partnerships, corporations, owners, or
14 those in possession of farm products shall be open to and available
15 for inspection, examination, or auditing by assessing officers.

16 (o) Sugar, in solid or liquid form, produced from sugar beets,
17 dried beet pulp, and beet molasses if owned or held by processors.

18 (p) The personal property of a parent cooperative preschool.
19 As used in this subdivision and section 7z, "parent cooperative
20 preschool" means a nonprofit, nondiscriminatory educational
21 institution maintained as a community service and administered by
22 parents of children currently enrolled in the preschool, that
23 provides an educational and developmental program for children
24 younger than compulsory school age, that provides an educational
25 program for parents, including active participation with children
26 in preschool activities, that is directed by qualified preschool
27 personnel, and that is licensed under 1973 PA 116, MCL 722.111 to

1 722.128.

2 (q) All equipment used exclusively in wood harvesting, but not
3 including portable or stationary sawmills or other equipment used
4 in secondary processing operations. As used in this subdivision,
5 "wood harvesting" means clearing land for forest management
6 purposes, planting trees, all forms of cutting or chipping trees,
7 and loading trees on trucks for removal from the harvest area.

8 (r) Liquefied petroleum gas tanks located on residential or
9 agricultural property used to store liquefied petroleum gas for
10 residential or agricultural property use.

11 (s) Water conditioning systems used for a residential
12 dwelling.

13 (t) For taxes levied after December 31, 2000, aircraft
14 excepted from the registration provisions of the aeronautics code
15 of the state of Michigan, 1945 PA 327, MCL 259.1 to 259.208, and
16 all other aircraft operating under the provisions of a certificate
17 issued under ~~14 C.F.R.~~ **CFR** part 121, and all spare parts for such
18 aircraft.

19 **(U) THE PERSONAL PROPERTY OF A FARMERS' COOPERATIVE IF THAT**
20 **PERSONAL PROPERTY WOULD BE EXEMPT UNDER SUBDIVISION (J) IF OWNED BY**
21 **A MEMBER OF THAT FARMERS' COOPERATIVE. AS USED IN THIS SUBDIVISION,**
22 **"FARMERS' COOPERATIVE" MEANS A FARMERS' COOPERATIVE CORPORATION**
23 **GOVERNED BY SECTION 98 OF 1931 PA 327, MCL 450.98.**