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BILL ANALYSIS

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Senate Bill 835 (as introduced 10-17-07)  
Sponsor: Senator Jud Gilbert, II  
Committee: Finance

Date Completed: 2-28-08

### **CONTENT**

**The bill would amend the General Property Tax Act to require the State Tax Commission to assess certain utility personal property and industrial property used for utility sites, if the property had a combined value over \$50.0 million, and determine information necessary for an assessor to prepare the tax roll.**

Under the Act, by the first Monday in March each year, an assessor must make and complete an assessment roll, which must contain certain information, including the following:

- The name and address of every person liable to be taxed in the local tax collecting unit with a full description of all the real property liable to be taxed.
- The true cash value and assessed value of every parcel of real property, estimated by the assessor.
- The tentative taxable value of every parcel of real property, calculated by the assessor.
- The percentage of value of every parcel of real property that is exempt from the tax levied by a local school district for school operating purposes to the extent provided under the Revised School code.
- The date of the last transfer of ownership of every parcel of real property occurring after December 31, 1994.
- The true cash value of all the personal property of each person, as estimated by the assessor.

Under the bill, this would apply except as provided below.

If the combined taxable value of a taxpayer's personal property classified as utility personal property under Section 34c(3)(e) and real property classified as industrial personal property under Section 34c(2)(d)(ii) were greater than \$50 million, the State Tax Commission would have to assess that real and personal property in the immediately succeeding year and determine the information necessary for the assessor to prepare the tax roll.

If the State Tax Commission assessed real and personal property under the bill, the Attorney General would have to defend any appeal of that assessment.

(Under Section 34c(3)(e), "utility personal property" includes the following:

- Electric transmission and distribution systems, substation equipment, spare parts, gas distribution systems, and water transmission and distribution systems.
- Oil wells and allied equipment such as tanks, gathering lines, field pump units, and buildings.
- Inventories not exempt by law.
- Gas wells with allied equipment and gathering lines.

- Oil or gas field equipment stored in the open or in warehouses such as drilling rigs, motors, pipes, and parts.
- Gas storage equipment.
- Transmission lines of gas or oil transporting companies.

Section 34c(2)(d)(ii) refers to parcels used for utilities sites for generating plants, pumping stations, switches, substations, compressing stations, warehouses, rights-of-way, flowage land, and storage areas.)

MCL 211.24

Legislative Analyst: Craig Laurie

### **FISCAL IMPACT**

The bill would have an indeterminate impact on State and local revenue. To the extent that the State arrived at the same assessed value for the affected property, the bill would have no revenue impact. Because many property values for existing property are controlled by factors independent of the entity performing the assessments (for example, depreciation schedules for personal property and limitations on increases in taxable value from year-to-year), in many cases the effect of the bill could be minimal. However, under circumstances in which substantial changes can occur in property values (for example, ownership changes, new construction, or acquisition of new property), the impact of the bill could be more significant.

Any fiscal impact on the State as a result of the assessments would involve not only State education tax revenue but also School Aid Fund expenditures, since any impact on local units would affect the School Aid Fund expenditures needed to maintain per-pupil funding guarantees.

The bill also would result in additional costs to the Department of Treasury. The Department would require an unknown number of new assessors to implement the bill. The Department does not currently employ assessors, and the cost for those positions varies widely across jurisdictions. In 2007, the average annual cost for a Treasury employee (for salary and benefits) was approximately \$83,500.

Finally, there could be an indeterminate cost to the Office of Attorney General for additional staffing associated with defending any appeals to assessments levied by the State Tax Commission under the bill. The Office of Attorney General currently does not defend appeals of assessments levied by the State Tax Commission and the potential costs would depend on the number of appeals that would need to be defended by the Office. If these appeals were minimal, the costs could be absorbed by the Office's existing budget.

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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.