

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5874

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 9 (MCL 211.9), as amended by 2006 PA 550.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 9. (1) The following personal property, and real property
2 described in subdivision (j) (i), is exempt from 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

1 from the operation of the nonprofit corporations or secret or
2 fraternal societies does not inure to the benefit of a person other
3 than the residents is exempt.

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

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

13 (d) Pensions receivable from the United States.

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

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

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

27 (h) The working tools of a mechanic of not more than \$500.00

1 in taxable value. "Mechanic", as used in this subdivision, means a
2 person skilled in a trade pertaining to a craft or in the
3 construction or repair of machinery if the person's employment by
4 others is dependent on his or her furnishing the tools.

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

7 (j) Property actually used in agricultural operations and farm
8 implements held for sale or resale by retail servicing dealers for
9 use in agricultural production. As used in this subdivision,
10 "agricultural operations" means farming in all its branches,
11 including cultivation of the soil, growing and harvesting of an
12 agricultural, horticultural, or floricultural commodity, dairying,
13 raising of livestock, bees, fur-bearing animals, or poultry, turf
14 and tree farming, raising and harvesting of fish, and any practices
15 performed by a farmer or on a farm as an incident to, or in
16 conjunction with, farming operations, but excluding retail sales
17 and food processing operations. Property used in agricultural
18 operations includes all of the following:

19 (i) A methane digester and a methane digester electric
20 generating system if the person claiming the exemption complies
21 with all of the following:

22 (A) After the construction of the methane digester or the
23 methane digester electric generating system is completed, the
24 person claiming the exemption submits to the local tax collecting
25 unit an application for the exemption and a copy of certification
26 from the department of agriculture that it has verified that the
27 farm operation on which the methane digester or methane digester

1 electric generating system is located is in compliance with the
2 appropriate system of the Michigan agriculture environmental
3 assurance program in the year immediately preceding the year in
4 which the affidavit is submitted. Three years after an application
5 for exemption is approved and every 3 years thereafter, the person
6 claiming the exemption shall submit to the local tax collecting
7 unit an affidavit attesting that the department of agriculture has
8 verified that the farm operation on which the methane digester or
9 methane digester electric generating system is located is in
10 compliance with the appropriate system of the Michigan agriculture
11 environmental assurance program. The application for the exemption
12 under this subparagraph shall be in a form prescribed by the
13 department of treasury and shall be provided to the person claiming
14 the exemption by the local tax collecting unit.

15 (B) When the application is submitted to the local tax
16 collecting unit, the person claiming the exemption also submits
17 certification provided by the department of environmental quality
18 that he or she is not currently being investigated for a violation
19 of part 31 of the natural resources and environmental protection
20 act, 1994 PA 451, MCL 324.3101 to 324.3133, that within a 3-year
21 period immediately preceding the date the application is submitted
22 to the local tax collecting unit, he or she has not been found
23 guilty of a criminal violation under part 31 of the natural
24 resources and environmental protection act, 1994 PA 451, MCL
25 324.3101 to 324.3133, and that within a 1-year period immediately
26 preceding the date the application is submitted to the local tax
27 collecting unit, he or she has not been found responsible for a

1 civil violation that resulted in a civil fine of \$10,000.00 or more
2 under part 31 of the natural resources and environmental protection
3 act, 1994 PA 451, MCL 324.3101 to 324.3133.

4 (C) The person claiming an exemption cooperates by allowing
5 access for not more than 2 universities to collect information
6 regarding the effectiveness of the methane digester and the methane
7 digester electric generating system in generating electricity and
8 processing animal waste and production area waste. Information
9 collected under this sub-subparagraph shall not be provided to the
10 public in a manner that would identify the owner of the methane
11 digester or the methane digester electric generating system or the
12 farm operation on which the methane digester or the methane
13 digester electric generating system is located. The identity of the
14 owner of the methane digester or the methane digester electric
15 generating system and the identity of the owner and location of the
16 farm operation on which the methane digester or the methane
17 digester electric generating system is located are exempt from
18 disclosure under the freedom of information act, 1976 PA 442, MCL
19 15.231 to 15.246. As used in this sub-subparagraph, "university"
20 means a public 4-year institution of higher education created under
21 article VIII of the state constitution of 1963.

22 (D) The person claiming the exemption ensures that the methane
23 digester and methane digester electric generating system are
24 operated under the specific supervision and control of persons
25 certified by the department of agriculture as properly qualified to
26 operate the methane digester, methane digester electric generating
27 system, and related waste treatment and control facilities. The

1 department of agriculture shall consult with the department of
2 environmental quality and the Michigan state university cooperative
3 extension service in developing the operator certification program.

4 (ii) A biomass gasification system. As used in this
5 subparagraph, "biomass gasification system" means apparatus and
6 equipment that thermally decomposes agricultural, food, or animal
7 waste at high temperatures and in an oxygen-free or a controlled
8 oxygen-restricted environment into a gaseous fuel and the equipment
9 used to generate electricity or heat from the gaseous fuel or store
10 the gaseous fuel for future generation of electricity or heat.

11 (iii) A thermal depolymerization system. As used in this
12 subparagraph, "thermal depolymerization system" means apparatus and
13 equipment that use heat to break down natural and synthetic
14 polymers and that can accept only organic waste.

15 (iv) **MACHINERY THAT IS CAPABLE OF SIMULTANEOUSLY HARVESTING**
16 **GRAIN OR OTHER CROPS AND BIOMASS AND MACHINERY USED FOR THE PURPOSE**
17 **OF HARVESTING BIOMASS. AS USED IN THIS SUBPARAGRAPH, "BIOMASS"**
18 **MEANS CROP RESIDUE USED TO PRODUCE ENERGY OR AGRICULTURAL CROPS**
19 **GROWN SPECIFICALLY FOR THE PRODUCTION OF ENERGY.**

20 (v) ~~(iv)~~ Machinery used to prepare the crop for market operated
21 incidental to a farming operation that does not substantially alter
22 the form, shape, or substance of the crop and is limited to
23 cleaning, cooling, washing, pitting, grading, sizing, sorting,
24 drying, bagging, boxing, crating, and handling if not less than 33%
25 of the volume of the crops processed in the year ending on the
26 applicable tax day or in at least 3 of the immediately preceding 5
27 years were grown by the farmer in Michigan who is the owner or user

1 of the crop processing machinery.

2 (k) Personal property of not more than \$500.00 in taxable
3 value used by a householder in the operation of a business in the
4 householder's dwelling or at 1 other location in the city,
5 township, or village in which the householder resides.

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

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

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

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

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

1 that is leased, loaned, or otherwise made available to and used by
2 a private individual, association, or corporation in connection
3 with a 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 CFR part 121, and all spare parts for such
18 aircraft.

19 (2) As used in this section:

20 (a) "Biogas" means a mixture of gases composed primarily of
21 methane and carbon dioxide.

22 (b) "Methane digester" means a system designed to facilitate
23 the production, recovery, and storage of biogas from the anaerobic
24 microbial digestion of animal or food waste.

25 (c) "Methane digester electric generating system" means a
26 methane digester and the apparatus and equipment used to generate
27 electricity or heat from biogas or to store biogas for the future

1 generation of electricity or heat.