

SENATE BILL No. 563

July 13, 2011, Introduced by Senators GREEN, CASPERSON, KAHN, HUNE, EMMONS, KOWALL, PAVLOV, PROOS, BRANDENBURG and HANSEN and referred to the Committee on Finance.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 9 (MCL 211.9), as amended by 2008 PA 337.

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
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, turf
13 and tree farming, raising and harvesting of fish, collecting,
14 evaporating, and preparing maple syrup if the owner of the property
15 has \$25,000.00 or less in annual gross wholesale sales, and any
16 practices performed by a farmer or on a farm as an incident to, or
17 in conjunction with, farming operations, but excluding retail sales
18 and food processing operations. Property used in agricultural
19 operations includes all of the following:

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

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

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

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

1 application is submitted to the local tax collecting unit, he or
2 she has not been found responsible for a civil violation that
3 resulted in a civil fine of \$10,000.00 or more under part 31 of the
4 natural resources and environmental protection act, 1994 PA 451,
5 MCL 324.3101 to 324.3133.

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

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

1 operate the methane digester, methane digester electric generating
2 system, and related waste treatment and control facilities. The
3 department of agriculture shall consult with the department of
4 ~~environmental quality~~ **NATURAL RESOURCES AND ENVIRONMENT** and the
5 Michigan state university cooperative extension service in
6 developing the operator certification program.

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

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

18 (iv) Machinery that is capable of simultaneously harvesting
19 grain or other crops and biomass and machinery used for the purpose
20 of harvesting biomass. As used in this subparagraph, "biomass"
21 means crop residue used to produce energy or agricultural crops
22 grown specifically for the production of energy.

23 (v) Machinery used to prepare the crop for market operated
24 incidental to a farming operation that does not substantially alter
25 the form, shape, or substance of the crop and is limited to
26 cleaning, cooling, washing, pitting, grading, sizing, sorting,
27 drying, bagging, boxing, crating, and handling if not less than 33%

1 of the volume of the crops processed in the year ending on the
2 applicable tax day or in at least 3 of the immediately preceding 5
3 years were grown by the farmer in Michigan who is the owner or user
4 of the crop processing machinery.

5 (vi) MACHINERY USED TO INSTALL OR IMPLEMENT SOIL AND WATER
6 CONSERVATION TECHNIQUES ON PROPERTY EXEMPT UNDER SECTION 7EE AS
7 QUALIFIED AGRICULTURAL PROPERTY. IF MACHINERY IS USED TO INSTALL OR
8 IMPLEMENT SOIL AND WATER CONSERVATION TECHNIQUES ON PROPERTY OTHER
9 THAN QUALIFIED AGRICULTURAL PROPERTY, THAT MACHINERY IS EXEMPT ONLY
10 TO THE EXTENT THAT IT IS USED TO INSTALL OR IMPLEMENT SOIL AND
11 WATER CONSERVATION TECHNIQUES ON QUALIFIED AGRICULTURAL PROPERTY. A
12 PERSON CLAIMING AN EXEMPTION UNDER THIS SECTION SHALL INDICATE THE
13 MACHINERY'S PERCENTAGE OF EXEMPT USE IN THE STATEMENT SUBMITTED
14 UNDER SECTION 19. AS USED IN THIS SUBPARAGRAPH, "SOIL AND WATER
15 CONSERVATION TECHNIQUES" MEANS TECHNIQUES FOR THE CONSERVATION OF
16 SOIL AND WATER DESCRIBED IN THE FIELD OFFICE TECHNICAL GUIDE
17 PUBLISHED BY THE NATURAL RESOURCES CONSERVATION SERVICE OF THE
18 UNITED STATES DEPARTMENT OF AGRICULTURE.

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

23 (l) The products, materials, or goods processed or otherwise
24 and in whatever form, but expressly excepting alcoholic beverages,
25 located in a public warehouse, United States customs port of entry
26 bonded warehouse, dock, or port facility on December 31 of each
27 year, if those products, materials, or goods are designated as in

1 transit to destinations outside this state pursuant to the
2 published tariffs of a railroad or common carrier by filing the
3 freight bill covering the products, materials, or goods with the
4 agency designated by the tariffs, entitling the shipper to
5 transportation rate privileges. Products in a United States customs
6 port of entry bonded warehouse that arrived from another state or a
7 foreign country, whether awaiting shipment to another state or to a
8 final destination within this state, are considered to be in
9 transit and temporarily at rest, and not subject to the collection
10 of taxes under this act. To obtain an exemption for products,
11 materials, or goods under this subdivision, the owner shall file a
12 sworn statement with, and in the form required by, the assessing
13 officer of the tax district in which the warehouse, dock, or port
14 facility is located, at a time between the tax day, December 31,
15 and before the assessing officer closes the assessment rolls
16 describing the products, materials, or goods, and reporting their
17 cost and value as of December 31 of each year. The status of
18 persons and products, materials, or goods for which an exemption is
19 requested is determined as of December 31, which is the tax day.
20 Any property located in a public warehouse, dock, or port facility
21 on December 31 of each year that is exempt from taxation under this
22 subdivision but that is not shipped outside this state pursuant to
23 the particular tariff under which the transportation rate privilege
24 was established shall be assessed upon the immediately succeeding
25 or a subsequent assessment roll by the assessing officer and taxed
26 at the same rate of taxation as other taxable property for the year
27 or years for which the property was exempted to the owner at the

1 time of the omission unless the owner or person entitled to
2 possession of the products, materials, or goods is a resident of,
3 or authorized to do business in, this state and files with the
4 assessing officer, with whom statements of taxable property are
5 required to be filed, a statement under oath that the products,
6 materials, or goods are not for sale or use in this state and will
7 be shipped to a point or points outside this state. If a person,
8 firm, or corporation claims exemption by filing a sworn statement,
9 the person, firm, or corporation shall append to the statement of
10 taxable property required to be filed in the immediately succeeding
11 year or, if a statement of taxable property is not filed for the
12 immediately succeeding year, to a sworn statement filed on a form
13 required by the assessing officer, a complete list of the property
14 for which the exemption was claimed with a statement of the manner
15 of shipment and of the point or points to which the products,
16 materials, or goods were shipped from the public warehouse, dock,
17 or port facility. The assessing officer shall assess the products,
18 materials, or goods not shipped to a point or points outside this
19 state upon the immediately succeeding assessment roll or on a
20 subsequent assessment roll and the products, materials, or goods
21 shall be taxed at the same rate of taxation as other taxable
22 property for the year or years for which the property was exempted
23 to the owner at the time of the omission. The records, accounts,
24 and books of warehouses, docks, or port facilities, individuals,
25 partnerships, corporations, owners, or those in possession of
26 tangible personal property shall be open to and available for
27 inspection, examination, or auditing by assessing officers. A

1 warehouse, dock, port facility, individual, partnership,
2 corporation, owner, or person in possession of tangible personal
3 property shall report within 90 days after shipment of products,
4 materials, or goods in transit, for which an exemption under this
5 section was claimed or granted, the destination of shipments or
6 parts of shipments and the cost value of those shipments or parts
7 of shipments to the assessing officer. A warehouse, dock, port
8 facility, individual, partnership, corporation, or owner is subject
9 to a fine of \$100.00 for each failure to report the destination and
10 cost value of shipments or parts of shipments as required in this
11 subdivision. A person, firm, individual, partnership, corporation,
12 or owner failing to report products, materials, or goods located in
13 a warehouse, dock, or port facility to the assessing officer is
14 subject to a fine of \$100.00 and a penalty of 50% of the final
15 amount of taxes found to be assessable for the year on property not
16 reported, the assessable taxes and penalty to be spread on a
17 subsequent assessment roll in the same manner as general taxes on
18 personal property. For the purpose of this subdivision, a public
19 warehouse, dock, or port facility means a warehouse, dock, or port
20 facility owned or operated by a person, firm, or corporation
21 engaged in the business of storing products, materials, or goods
22 for hire for profit who issues a schedule of rates for storage of
23 the products, materials, or goods and who issues warehouse receipts
24 pursuant to 1909 PA 303, MCL 443.50 to 443.55. A United States
25 customs port of entry bonded warehouse means a customs warehouse
26 within a classification designated by 19 CFR 19.1 and that is
27 located in a port of entry, as defined by 19 CFR 101.1. A portion

1 of a public warehouse, United States customs port of entry bonded
2 warehouse, dock, or port facility leased to a tenant or a portion
3 of any premises owned or leased or operated by a consignor or
4 consignee or an affiliate or subsidiary of the consignor or
5 consignee is not a public warehouse, dock, or port facility.

6 (m) Personal property owned by a bank or trust company
7 organized under the laws of this state, a national banking
8 association, or an incorporated bank holding company as defined in
9 section 1841 of the bank holding company act of 1956, 12 USC 1841,
10 that controls a bank, national banking association, trust company,
11 or industrial bank subsidiary located in this state. Buildings
12 owned by a state or national bank, trust company, or incorporated
13 bank holding company and situated upon real property that the state
14 or national bank, trust company, or incorporated bank holding
15 company is not the owner of the fee are considered real property
16 and are not exempt under this section. Personal property owned by a
17 state or national bank, trust company, or incorporated bank holding
18 company that is leased, loaned, or otherwise made available to and
19 used by a private individual, association, or corporation in
20 connection with a business conducted for profit is not exempt under
21 this section.

22 (n) Farm products, processed or otherwise, the ultimate use of
23 which is for human or animal consumption as food, except wine,
24 beer, and other alcoholic beverages regularly placed in storage in
25 a public warehouse, dock, or port facility while in storage are
26 considered in transit and only temporarily at rest and are not
27 subject to the collection of taxes under this act. The assessing

1 officer is the determining authority as to what constitutes, is
2 defined as, or classified as, farm products as used in this
3 subdivision. The records, accounts, and books of warehouses, docks,
4 or port facilities, individuals, partnerships, corporations,
5 owners, or those in possession of farm products shall be open to
6 and available for inspection, examination, or auditing by assessing
7 officers.

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

10 (p) The personal property of a parent cooperative preschool.
11 As used in this subdivision and section 7z, "parent cooperative
12 preschool" means a nonprofit, nondiscriminatory educational
13 institution maintained as a community service and administered by
14 parents of children currently enrolled in the preschool, that
15 provides an educational and developmental program for children
16 younger than compulsory school age, that provides an educational
17 program for parents, including active participation with children
18 in preschool activities, that is directed by qualified preschool
19 personnel, and that is licensed under 1973 PA 116, MCL 722.111 to
20 722.128.

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

27 (r) Liquefied petroleum gas tanks located on residential or

1 agricultural property used to store liquefied petroleum gas for
2 residential or agricultural property use.

3 (s) Water conditioning systems used for a residential
4 dwelling.

5 (t) For taxes levied after December 31, 2000, aircraft
6 excepted from the registration provisions of the aeronautics code
7 of the state of Michigan, 1945 PA 327, MCL 259.1 to 259.208, and
8 all other aircraft operating under the provisions of a certificate
9 issued under 14 CFR part 121, and all spare parts for such
10 aircraft.

11 (2) As used in this section:

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

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

17 (c) "Methane digester electric generating system" means a
18 methane digester and the apparatus and equipment used to generate
19 electricity or heat from biogas or to store biogas for the future
20 generation of electricity or heat.