HOUSE SUBSTITUTE FOR SENATE BILL NO. 830

A bill to levy a tax on certain personal property; to provide for the administration, collection, and distribution of the tax; to impose certain duties on persons and certain state departments; to impose penalties; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 1. This act shall be known and may be cited as the
- 2 "alternative state essential services assessment act".
- 3 Sec. 3. As used in this act:
- 4 (a) "Acquisition cost" means the fair market value of personal
- 5 property at the time of acquisition by the current owner, including
- 6 the cost of freight, sales tax, and installation, and other
- 7 capitalized costs, except capitalized interest. There is a
- 8 rebuttable presumption that the acquisition price paid by the
- 9 current owner for personal property, and any costs of freight,

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- 1 sales tax, and installation, and other capitalized costs, except
- 2 capitalized interest, reflect the fair market value of the personal
- 3 property. For personal property exempt under section 9m or 9n of
- 4 the general property tax act, 1893 PA 206, MCL 211.9m and 211.9n,
- 5 that would otherwise be exempt under section 7k of the general
- 6 property tax act, 1893 PA 206, MCL 211.7k, and for personal
- 7 property subject to an extended industrial facilities exemption
- 8 certificate under section 11a of 1974 PA 198, MCL 207.561a,
- 9 acquisition cost means 1/2 of the fair market value of that
- 10 personal property at the time of acquisition by the current owner.
- 11 The acquisition cost for personal property exempt under the
- 12 renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, is
- 13 \$0.00 except for the 3 years immediately preceding the expiration
- 14 of the exemption of that personal property under the renaissance
- 15 zone act, 1996 PA 376, MCL 125.2681 to 125.2696, during which
- 16 period of time the acquisition cost for that personal property
- 17 means the fair market value of that personal property at the time
- 18 of acquisition by the current owner multiplied by the percentage
- 19 reduction in the exemption as provided in section 9(3) of the
- 20 renaissance zone act, 1996 PA 376, MCL 125.2689. The state tax
- 21 commission may provide guidelines for circumstances in which the
- 22 actual acquisition price is not determinative of fair market value
- 23 and the basis of determining fair market value in those
- 24 circumstances, including when that property is idle, obsolete, or
- 25 surplus.
- 26 (b) "Assessment" means the alternative state essential
- 27 services assessment levied under section 5.

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- 1 (c) "Assessment year" means the year in which the alternative
- 2 state essential services assessment levied under section 5 is due.
- 3 (d) "Eligible claimant" means a person that owns, leases, or
- 4 is in the possession of eligible personal property.
- 5 (e) "Eligible personal property" means personal property
- 6 exempt from the tax levied under the state essential services
- 7 assessment act and determined to be subject to the alternative
- 8 state essential services assessment as provided in section 9 of the
- 9 state essential services assessment act.
- Sec. 5. (1) Beginning January 1, 2016, the alternative state
- 11 essential services assessment is levied on all eligible personal
- 12 property as provided in this section.
- 13 (2) The assessment under this section is a state tax on the
- 14 eligible personal property owned by, leased to, or in the
- 15 possession of an eligible claimant on December 31 of the year
- 16 immediately preceding the assessment year and shall be calculated
- 17 as follows:
- 18 (a) For eligible personal property [acquired] by the eligible
- 19 claimant in a year 1 to 5 years before the assessment year,
- 20 multiply the acquisition cost of the eligible personal property by
- 21 50% of the mills levied under section 5(2)(a) of the state
- 22 essential services assessment act.
- (b) For eligible personal property [acquired] by the eligible
- 24 claimant in a year 6 to 10 years before the assessment year,
- 25 multiply the acquisition cost of the eliqible personal property by
- 26 50% of the mills levied under section 5(2)(b) of the state
- 27 essential services assessment act.

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- 1 (c) For eligible personal property [acquired] by the eligible
- 2 claimant in a year more than 10 years before the assessment year,
- 3 multiply the acquisition cost of the eligible personal property by
- 4 50% of the mills levied under section 5(2)(c) of the state
- 5 essential services assessment act.
- 6 Sec. 7. (1) The department of treasury shall collect and
- 7 administer the alternative state essential services assessment as
- 8 provided in this section.
- 9 (2) Not later than May 1 in each assessment year, the
- 10 department of treasury shall make available in electronic form to
- 11 each eligible claimant a statement for calculation of the
- 12 assessment as provided in section 5.
- 13 (3) Not later than September 15 in each assessment year, each
- 14 eligible claimant shall submit electronically to the department of
- 15 treasury the completed statement and full payment of the assessment
- 16 levied under section 5 for that assessment year as calculated in
- 17 section 5(2). The department of treasury may waive or delay the
- 18 electronic filing requirement at its discretion. A statement
- 19 submitted by an eliqible claimant shall include all of the eliqible
- 20 claimant's eligible personal property located in this state subject
- 21 to the assessment levied under section 5 and, beginning in 2019,
- 22 specify the location of that property on December 31 of the year
- 23 immediately preceding the assessment year.
- 24 (4) If an eligible claimant does not submit the statement and
- 25 full payment of the assessment levied under section 5 by September
- 26 15, the department of treasury shall issue a notice to the eliqible
- 27 claimant not later than October 15. The notice shall include a

- 1 statement explaining the consequences of nonpayment as set forth in
- 2 subsection (5) and instructing the eligible claimant of its
- 3 potential responsibility under subsection (5)(e). An eligible
- 4 claimant shall submit payment in full by November 1 of the
- 5 assessment year along with a penalty of 1% per week on the unpaid
- 6 balance for each week payment is not made in full up to a maximum
- 7 of 5% of the total amount due and unpaid. For the eligible
- 8 claimant's first assessment year, the penalty shall be waived if
- 9 the eligible claimant submits the statement and full payment of the
- 10 assessment levied under section 5 within 7 business days of
- 11 September 15.
- 12 (5) If an eligible claimant does not submit payment in full
- 13 and any penalty due under subsection (4) by November 1, all of the
- 14 following shall apply:
- 15 (a) The state tax commission shall direct the assessor to
- 16 rescind for the assessment year any exemption described in section
- 17 9m or 9n of the general property tax act, 1893 PA 206, MCL 211.9m
- 18 and 211.9n, granted for the eligible personal property.
- 19 (b) The state tax commission shall rescind for the assessment
- 20 year any exemption under section 9f of the general property tax
- 21 act, 1893 PA 206, MCL 211.9f, which exemption was approved under
- 22 section 9f of the general property tax act, 1893 PA 206, MCL
- 23 211.9f, after 2013.
- 24 (c) The state tax commission shall rescind for the assessment
- 25 year any exemption for eligible personal property subject to an
- 26 extended industrial facilities exemption certificate under section
- 27 11a of 1974 PA 198, MCL 207.561a.

- 1 (d) The state tax commission shall rescind for the assessment
- 2 year any extended exemption for eligible personal property under
- 3 section 9f(8)(a) of the general property tax act, 1893 PA 206, MCL
- 4 211.9f.
- 5 (e) The claimant shall file not later than November 10 a
- 6 statement under section 19 of the general property tax act, 1893 PA
- 7 206, MCL 211.19, for all property for which the exemption has been
- 8 rescinded under this section.
- 9 (f) All taxes due as a result of a rescission by the
- 10 department of treasury or by the state tax commission under
- 11 subdivisions (a) to (d) that were not billed under the general
- 12 property tax act, 1893 PA 206, MCL 211.1 to 211.155, or under 1974
- 13 PA 198, MCL 207.551 to 207.572, on the summer bill shall be billed
- 14 under the general property tax act, 1893 PA 206, MCL 211.1 to
- 15 211.155, or under 1974 PA 198, MCL 207.551 to 207.572, on the
- 16 winter tax bill.
- 17 (g) A person who files a statement under section 7 shall
- 18 provide access to the books and records relating to the
- 19 description; the date of purchase, lease, or acquisition; and the
- 20 purchase price, lease amount, or value of all industrial personal
- 21 property and commercial personal property owned by, leased by, or
- 22 in the possession of that person or a related entity if requested
- 23 by the assessor of the local tax collecting unit, county
- 24 equalization department, or department of treasury for the year in
- 25 which the statement is filed and the immediately preceding 3 years.
- 26 (6) An eligible claimant may appeal an assessment levied under
- 27 section 5 or a penalty or rescission under this section to the

- 1 state tax commission by filing a petition not later than December
- 2 31 in that tax year. The department of treasury may appeal to the
- 3 state tax commission by filing a petition for the current calendar
- 4 year and 3 immediately preceding calendar years. The state tax
- 5 commission shall decide any appeal based on the written petition
- 6 and the written recommendation of state tax commission staff and any
- 7 other relevant information. The department of treasury or any
- 8 eligible claimant may appeal the decision of the state tax
- 9 commission to the Michigan tax tribunal.
- 10 Sec. 9. (1) Proceeds of the assessment collected under section
- 11 7 shall be credited to the general fund.
- 12 (2) Beginning in fiscal year 2014-2015 and each fiscal year
- 13 thereafter, the legislature shall appropriate funds in an amount
- 14 equal to the necessary expenses incurred by the department of
- 15 treasury in implementing this act.
- 16 Enacting section 1. This act does not take effect unless
- 17 Senate Bill No. 822 of the 97th Legislature is approved by a
- 18 majority of the qualified electors of this state voting on the
- 19 question at an election to be held on the August regular election
- 20 date in 2014.
- 21 Enacting section 2. The legislature declares that stable local
- 22 government funding and a tax system that allows individuals, small
- 23 businesses, and large businesses to thrive and create jobs in this
- 24 state are priorities of state government. The legislature also
- 25 declares that all state priorities should be considered in enacting
- 26 any legislation that has a fiscal impact and that any costs should
- 27 be managed in a fiscally responsible way. In furtherance of these

- 1 objectives, the legislature has reduced the state use tax under
- 2 section 3 of the use tax act, 1937 PA 94, MCL 205.93, and replaced
- 3 the portion reduced with a use tax levied by the local community
- 4 stabilization authority on behalf of local units of government
- 5 throughout this state to provide more stable funding for local
- 6 units of government than exists today. It is the intent of the
- 7 legislature to offset the fiscal impact on the state general fund
- 8 resulting from the reduction of the state use tax with new revenue
- 9 generated by the assessment levied under this act and with new
- 10 revenue resulting from the expiration of over \$630,000,000.00 in
- 11 expiring refundable tax credits that were awarded to individual
- 12 businesses under tax laws enacted by past legislatures.