



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5525 (Substitute S-1 as reported)
House Bill 5526 (Substitute H-1 as reported without amendment)
House Bill 5527 (as reported without amendment)
House Bill 5545 (Substitute S-1 as reported)
Sponsor: Representative Aric Nesbitt (H.B. 5525)
Representative Jeff Farrington (H.B. 5526, 5527, & 5545)
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bills would amend various statutes that allow property tax exemptions for eligible manufacturing personal property, and provide for the imposition of an Essential Services Assessment. The proposed changes generally involve procedure and administration.

House Bill 5525 (S-1) would amend the State Essential Services Assessment Act to do the following:

- Make changes relating to the combined document filed by an eligible claimant and the assessment calculation statement.
- Specify that leasing companies would not be eligible for an exemption and could not use the combined document.
- Include provisions for property that is considered "construction in progress".
- Make various changes to the administration and process of appealing an assessment levied under the Act, a penalty, or a rescission.
- Allow the Department of Treasury to request the State Tax Commission to rescind exemptions under certain circumstances, rather than require the rescission.
- Provide for appeals to the Michigan Tax Tribunal, rather than the State Tax Commission.
- Require the State Tax Commission, rather than the Department, to perform certain administrative responsibilities.

House Bill 5526 (H-1) would amend the General Property Tax Act to do the following:

- Allow an owner of qualified new or existing personal property who did not file a required form by February 22, 2016, or filed an incomplete form, to file until May 31, 2016.
- Remove references to filing an affidavit or statement and, instead, require the use of a combined document to claim a personal property tax exemption under Sections 9m and 9n of the Act (for "qualified new personal property" and "qualified previously existing personal property", respectively).
- Specify that leasing companies would not be eligible to receive the exemption and could not use the combined document.
- Revise provisions relating to the denial of a claim for an exemption and the appeal of a denial.
- Specify that utility personal property and personal property used in the generation, transmission, or distribution of electricity for sale would not be eligible manufacturing personal property, and provide that neither would be included in a calculation that

determines whether personal property located on occupied real property is predominately used in industrial processing or direct integrated support.

- Require the State Tax Commission, instead of the Department of Treasury, to perform various administrative responsibilities.

House Bill 5527 would amend Public Act 198 of 1974, which provides for the establishment of plant rehabilitation districts and industrial development districts in local governmental units, and industrial facilities exemption certificates, to require a holder of an industrial facilities exemption certificate that has been extended, to file a combined document required under Section 9m or 9n of the General Property Tax Act, instead of an affidavit, when indicating the portion of a facility that is eligible manufacturing personal property.

House Bill 5545 (S-1) would amend the Alternative State Essential Services Act to make changes similar to the amendments to the State Essential Services Act proposed by House Bill 5525 (S-1).

MCL 211.1053 et al. (H.B. 5525)
211.9f et al. (H.B. 5526)
207.561a (H.B. 5527)
211.1073 et al. (H.B. 5545)

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The Department of Treasury estimates that the proposed change in the treatment of construction in progress would reduce State revenue from the Essential Services Assessment (ESA) by approximately \$3.6 million General Fund/General Purpose (GF/GP) annually beginning in FY 2016-17. The Department also estimates that the proposed change in the treatment of certain property related to the Industrial Facilities Tax would reduce State revenue from the ESA by approximately \$500,000 GF/GP annually for six years beginning in FY 2016-17. Other changes in the bills generally would address implementation issues with the personal property tax reform package and to that extent are not expected to have a significant fiscal impact. For 2016 only, the bills would extend the deadline for filing the affidavit and statement for eligible manufacturing personal property and the essential services assessment tax exemption. It is expected that allowing additional time for applications would bring personal property tax exemptions and State revenue from the Essential Services Assessment and Alternative Essential Services Assessment closer to original estimates.

The bills would move the appeals process from the State Tax Commission within the Department of Treasury to the Michigan Tax Tribunal within the Department of Licensing and Regulatory Affairs, which would likely result in an increase in cases for the Tax Tribunal.

Date Completed: 4-28-16

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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.