

Rep. Dianda offered the following resolution:

House Resolution No. 133.

A resolution to urge the Governor and State Tax Commission to conduct a statewide impact study on the current and future effects of the "dark store" tax method.

Whereas, In Michigan, as in other states, large retail outlets have begun challenging the ad valorem property tax assessments of their retail properties using a new valuation method commonly referred to as the "dark store" method. Typically, property tax assessments are challenged based on what comparable properties have sold for in the market. Under the "dark store" approach, large retailers are redefining what is comparable property, arguing that big box outlets are purpose-built facilities designed to be functionally obsolete, making vacant big box outlets their comparable properties; and

Whereas, The "dark store" method is further complicated by self-imposed deed restrictions. Large retailers often place restrictions on their developments to constrain future business on the property, eliminating the possibility of the development becoming the property of a competitor. These restrictions include limiting how the property may be used and prohibiting the new owner from selling specific items. Deed restrictions like these have a direct, negative impact on the property's value at sale and contribute to making these developments functionally obsolete; and

Whereas, Big box retailers are using the "dark store" method to retroactively lower their property tax assessments. Under Michigan law, taxpayers that remit property tax payments in excess of their true property tax liability may obtain a refund from the local taxing office for the amount they overpaid. Property tax overpayments can be sought for up to the past three years. So, in addition to significantly lowering their tax liability for years to come, big box retail owners are extracting huge payments from local governments in Michigan, overpayments made over several years that must be repaid in an unrelated fiscal year; and

Whereas, Retailers using the "dark store" method to extract payments from local governments are causing devastating cuts to essential services. In Marquette, Michigan, for example, Marquette Township was recently required to make a payment for overpaid property taxes amounting to nearly \$756,000 to the home improvement giant Lowe's, who challenged the property assessment of their 2008 Marquette outlet using the "dark store" method. Marquette Township, like other Michigan townships, are absorbing these large fiscal shocks by reducing police, fire, ambulance, and school services as well as delaying needed local infrastructure projects; and

Whereas, The state of Michigan must study the effects of the "dark store" method before irreparable damage is born upon our communities and take appropriate action. Already, Ottawa County has lowered large retail property assessments by \$14.8 million, and the Michigan Association of County Treasurers reports that "dark store" appeals have resulted in a \$47 million decline in property tax revenue. Data from the Michigan Tax Tribunal estimates the 2013, 2014, and 2015 tax refunds to be about \$73.3 million statewide. Other states have already begun studying this issue and taking action. Indiana, for example, found that this method could be applied to more than 17,000 commercial properties, dropping a \$3.5 billion loss in the tax rolls. Indiana acted swiftly by requiring an assessment valuation be based on construction costs; now, therefore, be it

Resolved by the House of Representatives, That we urge the Governor and State Tax Commission to conduct a statewide impact study on the current and future effects of the "dark store" tax method; and be it further

Resolved, That copies of this resolution be transmitted to the Governor of the State of Michigan and the State Tax Commission.