

# HOUSE BILL No. 5991

May 15, 2018, Introduced by Reps. Hauck, Hoitenga, Lower, Sheppard, VanSingel, LaFave, Barrett, Maturen, Hornberger, Lucido, Lilly, Elder, Glenn, Howell, VanderWall, Inman, Hughes and Wentworth and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled  
"The general property tax act,"  
by amending section 9 (MCL 211.9), as amended by 2011 PA 290.

**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  
10 fraternal societies does not inure to the benefit of a person other

1 than the residents is exempt.

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

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

11 (d) Pensions receivable from the United States.

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

13 (f) The personal property owned and used by a householder such  
14 as customary furniture, fixtures, provisions, fuel, and other  
15 similar equipment, wearing apparel including personal jewelry,  
16 family pictures, school books, library books of reference, and  
17 allied items. Personal property is not exempt under this  
18 subdivision if it is used to produce income, if it is held for  
19 speculative investment, or if it constitutes an inventory of goods  
20 for sale in the regular course of trade. **FOR PURPOSES OF THIS**  
21 **SUBDIVISION, A DOCK LOCATED ON REAL PROPERTY FOR ACCESS TO A LAKE,**  
22 **RIVER, OR OTHER BODY OF WATER IS PERSONAL PROPERTY IF THE DOCK IS**  
23 **DETACHED FROM THE REAL PROPERTY AND STORED ON LAND AWAY FROM THE**  
24 **BODY OF WATER ANNUALLY FOR THE WINTER SEASON.**

25 (g) Household furnishings, provisions, and fuel of not more  
26 than \$5,000.00 in taxable value, of each social or professional  
27 fraternity, sorority, and student cooperative house recognized by

1 the educational institution at which it is located.

2 (h) The working tools of a mechanic of not more than \$500.00  
3 in taxable value. "Mechanic", as used in this subdivision, means a  
4 person skilled in a trade pertaining to a craft or in the  
5 construction or repair of machinery if the person's employment by  
6 others is dependent on his or her furnishing the tools.

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

9 (j) Property actually used in agricultural operations and farm  
10 implements held for sale or resale by retail servicing dealers for  
11 use in agricultural production. As used in this subdivision,  
12 "agricultural operations" means farming in all its branches,  
13 including cultivation of the soil, growing and harvesting of an  
14 agricultural, horticultural, or floricultural commodity, dairying,  
15 raising of livestock, bees, fur-bearing animals, or poultry, turf  
16 and tree farming, raising and harvesting of fish, collecting,  
17 evaporating, and preparing maple syrup if the owner of the property  
18 has \$25,000.00 or less in annual gross wholesale sales, and any  
19 practices performed by a farmer or on a farm as an incident to, or  
20 in conjunction with, farming operations, but excluding retail sales  
21 and food processing operations. Property used in agricultural  
22 operations includes all of the following:

23 (i) A methane digester and a methane digester electric  
24 generating system if the person claiming the exemption complies  
25 with all of the following:

26 (A) After the construction of the methane digester or the  
27 methane digester electric generating system is completed, the

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

20 (B) When the application is submitted to the local tax  
21 collecting unit, the person claiming the exemption also submits  
22 certification provided by the department of environmental quality  
23 that he or she is not currently being investigated for a violation  
24 of part 31 of the natural resources and environmental protection  
25 act, 1994 PA 451, MCL 324.3101 to ~~324.3133~~, **324.3134**, that within a  
26 3-year period immediately preceding the date the application is  
27 submitted to the local tax collecting unit, he or she has not been

1 found guilty of a criminal violation under part 31 of the natural  
2 resources and environmental protection act, 1994 PA 451, MCL  
3 324.3101 to ~~324.3133~~, **324.3134**, and that within a 1-year period  
4 immediately preceding the date the application is submitted to the  
5 local tax collecting unit, he or she has not been found responsible  
6 for a civil violation that resulted in a civil fine of \$10,000.00  
7 or more under part 31 of the natural resources and environmental  
8 protection act, 1994 PA 451, MCL 324.3101 to ~~324.3133~~. **324.3134**.

9 (C) The person claiming an exemption cooperates by allowing  
10 access for not more than 2 universities to collect information  
11 regarding the effectiveness of the methane digester and the methane  
12 digester electric generating system in generating electricity and  
13 processing animal waste and production area waste. Information  
14 collected under this sub-subparagraph shall not be provided to the  
15 public in a manner that would identify the owner of the methane  
16 digester or the methane digester electric generating system or the  
17 farm operation on which the methane digester or the methane  
18 digester electric generating system is located. The identity of the  
19 owner of the methane digester or the methane digester electric  
20 generating system and the identity of the owner and location of the  
21 farm operation on which the methane digester or the methane  
22 digester electric generating system is located are exempt from  
23 disclosure under the freedom of information act, 1976 PA 442, MCL  
24 15.231 to 15.246. As used in this sub-subparagraph, "university"  
25 means a public 4-year institution of higher education created under  
26 article VIII of the state constitution of 1963.

27 (D) The person claiming the exemption ensures that the methane

1 digester and methane digester electric generating system are  
2 operated under the specific supervision and control of persons  
3 certified by the department of agriculture **AND RURAL DEVELOPMENT** as  
4 properly qualified to operate the methane digester, methane  
5 digester electric generating system, and related waste treatment  
6 and control facilities. The department of agriculture **AND RURAL**  
7 **DEVELOPMENT** shall consult with the department of environmental  
8 quality and the Michigan ~~state university cooperative extension~~  
9 ~~service~~ **STATE UNIVERSITY COOPERATIVE EXTENSION SERVICE** in  
10 developing the operator certification program.

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

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

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

27 (v) Machinery used to prepare the crop for market operated

1 incidental to a farming operation that does not substantially alter  
2 the form, shape, or substance of the crop and is limited to  
3 cleaning, cooling, washing, pitting, grading, sizing, sorting,  
4 drying, bagging, boxing, crating, and handling if not less than 33%  
5 of the volume of the crops processed in the year ending on the  
6 applicable tax day or in at least 3 of the immediately preceding 5  
7 years were grown by the farmer in ~~Michigan~~ **THIS STATE** who is the  
8 owner or user of the crop processing machinery.

9 (vi) Machinery used to install land tile on property exempt  
10 under section 7ee as qualified agricultural property. If machinery  
11 is used to install land tile on property other than qualified  
12 agricultural property, that machinery is exempt only to the extent  
13 that it is used to install land tile on qualified agricultural  
14 property. A person claiming an exemption under this section shall  
15 indicate the machinery's percentage of exempt use in the statement  
16 submitted under section 19. As used in this subparagraph, "land  
17 tile" means fired clay or perforated plastic tubing used as part of  
18 a subsurface drainage system for land.

19 (vii) Machinery used to install or implement soil and water  
20 conservation techniques on property exempt under section 7ee as  
21 qualified agricultural property. If machinery is used to install or  
22 implement soil and water conservation techniques on property other  
23 than qualified agricultural property, that machinery is exempt only  
24 to the extent that it is used to install or implement soil and  
25 water conservation techniques on qualified agricultural property. A  
26 person claiming an exemption under this section shall indicate the  
27 machinery's percentage of exempt use in the statement submitted

1 under section 19. As used in this subparagraph, "soil and water  
2 conservation techniques" means techniques for the conservation of  
3 soil and water described in the field office technical guide  
4 published by the ~~natural resources conservation service~~ **NATURAL**  
5 **RESOURCES CONSERVATION SERVICE** of the United States ~~department of~~  
6 ~~agriculture~~. **DEPARTMENT OF AGRICULTURE**.

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

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



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

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

1 a warehouse, dock, or port facility to the assessing officer is  
2 subject to a fine of \$100.00 and a penalty of 50% of the final  
3 amount of taxes found to be assessable for the year on property not  
4 reported, the assessable taxes and penalty to be spread on a  
5 subsequent assessment roll in the same manner as general taxes on  
6 personal property. For the purpose of this subdivision, a public  
7 warehouse, dock, or port facility means a warehouse, dock, or port  
8 facility owned or operated by a person, firm, or corporation  
9 engaged in the business of storing products, materials, or goods  
10 for hire for profit who issues a schedule of rates for storage of  
11 the products, materials, or goods and who issues warehouse receipts  
12 pursuant to 1909 PA 303, MCL 443.50 to 443.55. A United States  
13 ~~customs~~**CUSTOMS** port of entry bonded warehouse means a customs  
14 warehouse within a classification designated by 19 CFR 19.1 and  
15 that is located in a port of entry, as defined by 19 CFR 101.1. A  
16 portion of a public warehouse, United States ~~customs~~**CUSTOMS** port  
17 of entry bonded warehouse, dock, or port facility leased to a  
18 tenant or a portion of any premises owned or leased or operated by  
19 a consignor or consignee or an affiliate or subsidiary of the  
20 consignor or consignee is not a public warehouse, dock, or port  
21 facility.

22 (m) Personal property owned by a bank or trust company  
23 organized under the laws of this state, a national banking  
24 association, or an incorporated bank holding company as defined in  
25 section 1841 of the bank holding company act of 1956, 12 USC 1841,  
26 that controls a bank, national banking association, trust company,  
27 or industrial bank subsidiary located in this state. Buildings

1 owned by a state or national bank, trust company, or incorporated  
2 bank holding company and situated upon real property that the state  
3 or national bank, trust company, or incorporated bank holding  
4 company is not the owner of the fee are considered real property  
5 and are not exempt under this section. Personal property owned by a  
6 state or national bank, trust company, or incorporated bank holding  
7 company that is leased, loaned, or otherwise made available to and  
8 used by a private individual, association, or corporation in  
9 connection with a business conducted for profit is not exempt under  
10 this section.

11 (n) Farm products, processed or otherwise, the ultimate use of  
12 which is for human or animal consumption as food, except wine,  
13 beer, and other alcoholic beverages regularly placed in storage in  
14 a public warehouse, dock, or port facility while in storage are  
15 considered in transit and only temporarily at rest and are not  
16 subject to the collection of taxes under this act. The assessing  
17 officer is the determining authority as to what constitutes, is  
18 defined as, or classified as, farm products as used in this  
19 subdivision. The records, accounts, and books of warehouses, docks,  
20 or port facilities, individuals, partnerships, corporations,  
21 owners, or those in possession of farm products shall be open to  
22 and available for inspection, examination, or auditing by assessing  
23 officers.

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

26 (p) The personal property of a parent cooperative preschool.  
27 As used in this subdivision and section 7z, "parent cooperative

1 preschool" means a nonprofit, nondiscriminatory educational  
2 institution maintained as a community service and administered by  
3 parents of children currently enrolled in the preschool, that  
4 provides an educational and developmental program for children  
5 younger than compulsory school age, that provides an educational  
6 program for parents, including active participation with children  
7 in preschool activities, that is directed by qualified preschool  
8 personnel, and that is licensed under 1973 PA 116, MCL 722.111 to  
9 722.128.

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

16 (r) Liquefied petroleum gas tanks located on residential or  
17 agricultural property used to store liquefied petroleum gas for  
18 residential or agricultural property use.

19 (s) Water conditioning systems used for a residential  
20 dwelling.

21 (t) For taxes levied after December 31, 2000, aircraft  
22 excepted from the registration provisions of the aeronautics code  
23 of the state of Michigan, 1945 PA 327, MCL 259.1 to 259.208, and  
24 all other aircraft operating under the provisions of a certificate  
25 issued under 14 CFR part 121, and all spare parts for such  
26 aircraft.

27 (2) As used in this section:

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

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

6 (c) "Methane digester electric generating system" means a  
7 methane digester and the apparatus and equipment used to generate  
8 electricity or heat from biogas or to store biogas for the future  
9 generation of electricity or heat.