

# Legislative Analysis



## ANNUAL ADJUSTMENT TO SMALL TAXPAYER EXEMPTION

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<http://www.house.mi.gov/hfa>

**House Bill 5351 as introduced**  
**Sponsor: Rep. Steven Johnson**  
**Committee: Tax Policy**  
**Complete to 12-8-21**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 5351 would amend the General Property Tax Act to revise the value of personal property for which a taxpayer claims a personal property tax exemption under section 9o of the act.

The exemption under section 9o is for “eligible personal property” that is industrial or commercial personal property owned by a taxpayer with a true cash value of less than \$80,000 in a particular local tax collecting unit. This is commonly referred to as the small taxpayer or small business exemption.

Under the bill, beginning December 31, 2021, the Department of Treasury would have to annually adjust the value limit by an amount Treasury determines reflects the cumulative annual percentage change in the most comprehensive index of consumer prices available for Michigan—presumably the Detroit Consumer Price Index (known as the D-CPI, or the CPI-U to encompass the Detroit-Warren-Dearborn urban area).<sup>1</sup>

MCL 211.9o

### FISCAL IMPACT:

The dollar amount of use tax that can be levied by the Local Community Stabilization Authority for reimbursement of exempt personal property is contained in statute, so the bill would have no impact on state revenue or expenditures. It would, however, likely affect the distribution of those funds. Because the small taxpayer exemption is a “tier 1 reimbursement” (guaranteed 100% replacement of qualified losses), to the extent that increasing the \$80,000 true cash value threshold by adjusting for inflation results in larger tier 1 reimbursements, there would be less funding available for reimbursement to non–tier 1 municipalities.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

<sup>1</sup> [https://www.bls.gov/regions/midwest/news-release/consumerpriceindex\\_detroit.htm](https://www.bls.gov/regions/midwest/news-release/consumerpriceindex_detroit.htm)