

EXEMPT WHOLE-HOME GENERATORS FROM ASSESSMENT OF TRUE CASH VALUE

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House Bills 4378 (H-1) and 4379 as reported from committee
Sponsor: Rep. Alex Garza
Committee: Local Government and Municipal Finance
Complete to 6-30-21

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

SUMMARY:

House Bills 4378 and 4379 would amend different acts to exclude whole-home generators from being included in the assessment of the true cash value of residential property. The bills would define the installation, replacement, or repair of a whole-home generator as a normal maintenance and repair activity rather than as new construction or an addition to the property.

House Bill 4378 would amend the General Property Tax Act to exclude the installation, replacement, or repair of a whole-home generator from being considered when determining the true cash value of residential property.

Currently under the act, in assessing the true cash value of residential property, assessors cannot consider the increase in value resulting from money spent on normal repairs, replacement, and maintenance until the property is sold. The act lists such several maintenance and repair activities that are considered normal maintenance as long as they are not part of a structural addition or completion, such as inside or outside painting, adding gutters or downspouts, and replacing plumbing, furnaces, or hot water heaters. The bill would add installing, replacing, or repairing a whole-home generator to this list of normal maintenance activities that are not considered in determining a property's true cash value.

The bill also would exclude the installation, replacement, or repair of a whole-home generator from being considered "additions" or "new construction" in determining a property's taxable value.

MCL 211.27 and 211.34d

House Bill 4379 would amend the Michigan Economic Growth Authority Act to provide that the definition of "new construction" under that act is subject to the provisions described above that define the installation, replacement, or repair of a whole-home generator as normal maintenance to be excluded from consideration in determining true cash value.

MCL 207.803

The bills are tie-barred to one another, which means that neither could take effect unless both were enacted.

FISCAL IMPACT:

To the extent that the bills exempt whole-home generators from the calculation of the true cash value, the bills would reduce revenues for state and local governments by an unknown amount due to the potential for reduced taxable values. For the state, the provisions of the bills would reduce revenue from the six-mill state education tax and, in some instances, the 18-mill non-homestead levy earmarked for local schools. Local governments would realize revenue losses in an amount equal to the taxable value reduction as a result of the bills' provisions multiplied by the local unit's millage rate. Information on the number of properties statewide that would be impacted by the provisions of these bills was not available at the time of this writing.

POSITIONS:

The Department of Treasury indicated a neutral position on the bills. (5-19-21)

The Michigan Municipal League indicated a neutral position on HB 4378. (5-19-21)

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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.