

Legislative Analysis



EXEMPT CERTAIN HEAVY EQUIPMENT FROM PERSONAL PROPERTY TAX

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Senate Bill 927 as passed by the Senate
Sponsor: Sen. Dave Hildenbrand
House Committee: Tax Policy
Senate Committee: Finance
Complete to 9-30-18

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

SUMMARY:

Senate Bill 927 would amend the General Property Tax Act to exempt *qualified heavy equipment property* from the collection of taxes under the act. The exemption would apply to taxes levied after December 31, 2017.

Qualified heavy equipment property would mean construction, earthmoving, or industrial equipment (including attachments and ancillary equipment or tools) that is both *mobile* and rented by a *qualified renter*.

Mobile would mean that the property is not permanently affixed to real property and can be moved among worksites.

Qualified renter would mean a person that is engaged in a line of business described in code 532412 or 532310 of the North American Industry Classification System (NAICS)¹ and that operates a business that generates over 51% of its annual revenue by renting out qualified heavy equipment property.

Proposed MCL 211.9p

FISCAL IMPACT:

As written, the bill would reduce both local property tax revenue and the state 6-mill state education tax (SET), which accrues to the School Aid Fund (SAF) by a combined \$11.0 million to \$15.0 million annually. Of that amount, approximately \$1.5 to \$2.0 million would be reflected in reduced SET revenue, with the remainder affecting local collections. The local property tax reduction includes the 18-mill non-homestead levy dedicated to K-12 education, which would require increased SAF expenditures to offset the loss of local K-12 revenue.

Because the exemption would only apply to heavy equipment that is rented, there would be an incentive for a business that owns its heavy equipment to establish a subsidiary rental business, sell its heavy equipment to that subsidiary, and then rent it back. In that event, the revenue loss would increase.

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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.

¹ Construction, mining, and forestry machinery and equipment rental and leasing; or general rental centers.