



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 359 (as introduced 5-2-17)
Sponsor: Senator Dave Hildenbrand
Committee: Finance

Date Completed: 5-9-17

CONTENT

The bill would amend the General Property Tax Act to allow an owner of qualified new or previously existing personal property who did not file a required form to claim an exemption by February 22, 2017, or filed an incomplete form, to file until June 15, 2017.

Section 9m of the Act provides for the exemption of qualified new personal property (eligible manufacturing personal property) for which an exemption has been properly claimed beginning on December 31, 2015. Section 9n provides for the exemption of qualified previously existing personal property for which an exemption has been properly claimed beginning on December 31, 2015.

The bill states that, for 2017 only, if an owner of qualified new personal property or qualified previously existing personal property had not filed Form 5278 by February 22, 2017, or filed an incomplete form by that date, to claim the exemption under Section 9m or 9n with the assessor of the city or township in which the qualified new personal property or qualified previously existing personal property was located, that owner could file Form 5278 with the assessor of the city or township no later than June 15, 2017.

If the assessor determined that the property qualified for the exemption, the assessor immediately would have to amend the assessment roll to reflect the exemption. By June 23, 2017, the assessor would have to transmit the affidavits filed, or the information contained in them, under Section 9m or 9n, and other parcel information required by the Department of Treasury, to the Department in the form and manner it prescribed. The owner would still have to meet all deadlines required under the State Essential Services Assessment Act.

If the assessor of the township or city believed that personal property for which an affidavit claiming an exemption was filed under this provision by June 15, 2017, was not qualified new personal property or qualified previously existing personal property, the assessor could deny that claim for exemption by giving the person who filed the affidavit written notice of the reason for the denial and advising the person that the denial could be appealed to the Michigan Tax Tribunal within 35 days of the date of denial.

("Qualified new personal property" means property that is eligible manufacturing personal property, and is new personal property. "New personal property" means property that was initially placed in service in or outside of Michigan after December 31, 2012, or that was construction in progress on or after December 31, 2012, that had not been placed in service either in or outside of Michigan before 2013. "Qualified previously existing personal property" means personal property that is eligible manufacturing personal property and was first placed in service in or outside of Michigan more than 10 years before the current calendar year.

"Eligible manufacturing personal property" means all personal property located on occupied real property if that personal property is predominately used in industrial processing or direct integrated support. For personal property that is construction in progress and part of a new facility not in operation, "eligible manufacturing personal property" means all personal property that is part of that new facility if that personal property will be predominately used in industrial processing when the facility becomes operational.)

MCL 211.9m & 211.9n

BACKGROUND

Public Acts 107 through 110 of 2016 amended various acts that allow property tax exemptions for eligible manufacturing personal property, and provide for the imposition of an Essential Services Assessment. Public Act 108 of 2016 included amendments to the General Property Tax Act that allowed an owner of qualified new or previously existing personal property who did not file Form 5278 by February 22, 2016, or filed an incomplete form, to file until May 31, 2016.

Form 5278 is the form issued by the Michigan Department of Treasury that a taxpayer must complete to claim an exemption under Section 9m or 9n of the General Property Tax Act for qualified new or previously existing personal property. The Department website refers to Form 5278 as, "Affidavit and Statement for Eligible Manufacturing Personal Property and Essential Services Assessment". The 2017 form states, "To claim this exemption, **a fully completed Form 5278** must be received by the Assessor of the local unit of government where the qualified personal property is located **no later than February 20** (February 21, 2017, due to the holiday)." (Emphasis in original.)

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would reduce State and local revenue and increase administrative costs for local government by an unknown amount. A similar extension enacted by Public Act 108 of 2016 resulted in an estimated 500 additional properties qualifying for personal property tax (PPT) exemptions. The number of properties that would qualify under the proposed extension for 2017 could be larger or smaller than in 2016. The bill would reduce State Education Tax (SET) revenue and local property tax revenue by an amount that would depend on the number and taxable value of the properties that qualified for a PPT exemption due to the extended deadline. Local revenue changes also would depend on local millage rates. The General Fund reimburses the School Aid Fund for reductions in SET revenue and the increased cost of the foundation allowance due to reduced property tax collections. The distribution of personal property tax reimbursement payments from the Local Community Stabilization Authority (LCSA) to eligible local units would change somewhat based on the distribution of exempt property among local units of government. The total amount of LCSA payments, however, would not change as the total of all PPT reform reimbursements each year is set in statute. State revenue from the Essential Services Assessment would increase by an unknown and likely minimal amount. The Department of Treasury and local officials who administer the property tax would have additional administrative costs under the bill, which likely would be absorbed within existing resources.

Fiscal Analyst: Elizabeth Pratt

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.