

Legislative Analysis



ELIGIBLE MANUFACTURING PERSONAL PROPERTY EXEMPTION

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5502 as reported from committee
Sponsor: Rep. Mark A. Tisdell

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

House Bill 5503 as reported
Sponsor: Rep. Diana Farrington

House Bill 5505 as reported
Sponsor: Rep. Mary Cavanagh

House Bill 5504 as reported
Sponsor: Rep. Julie Calley

House Bill 5506 as reported
Sponsor: Rep. Jim Ellison

Committee: Tax Policy
Complete to 12-1-21

SUMMARY:

Taken together, House Bills 5502 to 5506 would remove the requirement that an eligible manufacturing personal property (EMPP) exemption be filed yearly, allow the prior year's EMPP exemption to be carried forward to the current year's statement of tax assessment, and provide that a new industrial facilities exemption certificate could not be approved and issued after December 30, 2021, for any personal property that qualifies as EMPP.

House Bills 5502 and 5503 would amend the General Property Tax Act to allow an exemption for qualified new or previously existing EMPP,¹ respectively, to remain in effect without filing a yearly claim.

Currently, the combined document must be completed and delivered yearly to the assessor. Under the bill, beginning in 2023, it would only need to be completed and delivered in the first year the exemption is claimed.

Once such an exemption was granted, it would remain in effect until the personal property was no longer qualified new or previously existing personal property. If the property was no longer eligible, the person claiming the exemption would have to rescind the claim by February 20 (or, if February 20 was a Saturday, Sunday, or legal holiday, on the next day that was not a Saturday, Sunday, or legal holiday). Currently, the deadline to rescind a claim is December 31.

Upon receipt of a timely filed rescission form, the local assessor would immediately remove the exemption. If an owner failed to file a rescission and the property was later deemed ineligible for the exemption, the owner would have to repay any additional taxes with interest.

Upon discovery that the property was no longer EMPP, the assessor would have to remove the exemption and amend the tax roll if the local unit was in possession of it. Also, within 30 days, the local treasurer would have to issue a corrected tax bill for any additional taxes with interest

¹ https://www.michigan.gov/documents/taxes/5278_500796_7.pdf

of 1% per month or fraction of a month and penalties computed from the date the taxes were last payable without interest or penalty.

Interest of 1% per month would begin to accrue on any tax set forward in a corrected or supplemental tax bill after 60 days. Taxes levied in a corrected or supplemental tax bill would be returned as delinquent on the March 1 following the issuance of the corrected or supplemental tax bill.

HB 5502: MCL 211.9m

HB 5503: MCL 211.9n

House Bills 5504 and 5505 would amend the State Essential Services Assessment Act and the Alternative State Essential Services Assessment Act, respectively, to allow the previous year's information submitted under section 9m or 9n of the General Property Tax Act to be carried forward to a current year's statement of tax assessment (in accordance with the proposed changes in HBs 5502 and 5503).

Currently, the Department of Treasury bases a tax assessment on the information submitted in the combined document that accounts for sections 9m and 9n.

Under the bills, beginning in 2024, Treasury could instead develop the statement based on the combined document for the previous year as long as the exemption had not been rescinded.

A rescission issued for failure to submit payment in full or a penalty assessed for failure to pay in full could not result in omission of the parcel on the statement for the current year.

Additionally, the bills would add the audit of exemptions under sections 9m and 9n for the purposes of determining eligibility to the list of items covered by Treasury's audit program. Upon completion of that audit, Treasury would have to rescind any exemption on personal property for which full payment of an assessment, including any penalty and interest, was not received within 35 days of the audit determination or for personal property Treasury discovered is not eligible under sections 9m or 9n.

The bills would require Treasury to make available on the internet the calculated total acquisition cost of all eligible personal property for each municipality at the same time it makes available the annual distribution calculations under the Local Community Stabilization Authority Act. Upon request by a municipality, Treasury would make the details of the acquisition cost calculation available.

HB 5504: MCL 211.1057

HB 5505: MCL 211.1077

House Bill 5506 would amend 1974 PA 198, which governs plant rehabilitation and industrial development districts, to provide that a new industrial facilities exemption certificate could not be approved and issued under the act after December 30, 2021, for any personal property that qualifies as EMPP under section 9m of the General Property Tax Act.

MCL 207.556

The bills are tie-barred together, which means none could take effect unless all were enacted.

BRIEF DISCUSSION:

According to committee testimony, the changes proposed by the bills have been anticipated since legislation phasing out the personal property tax for EMPP was enacted in 2012.² The changes to reporting requirements coincide with the full phase-out of the personal property tax on EMPP in 2023.

FISCAL IMPACT:

As written, the bills would have no state revenue impact since only reporting requirements would be changed. The use tax levy by the Local Community Stabilization Authority (LCSA) is detailed in statute (\$521.3 million in FY 2021-22, with increasing amount in subsequent years), and the bills would not alter the levies.

POSITIONS:

Representatives of the following entities testified in support of the bills (11-3-21):

- Department of Treasury
- Michigan Manufacturers Association

The following entities indicated support for the bills:

- Michigan Chamber of Commerce (11-3-21)
- Grand Rapids Chamber (11-3-21)
- NFIB (11-3-21)
- Stellantis (11-10-21)

Legislative Analyst: Jenny McInerney
Fiscal Analyst: Jim Stansell

■ 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.

² <http://www.legislature.mi.gov/documents/2011-2012/billanalysis/House/pdf/2011-HLA-6022-16273ADA.pdf>