

# HOUSE BILL No. 4563

April 22, 1999, Introduced by Reps. Stallworth and Vaughn and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled  
"The general property tax act,"  
by amending section 9 (MCL 211.9), as amended by 1996 PA 582.

## **THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 9. The following personal property is exempt from  
2 taxation:

3       (a) The personal property of NONPROFIT CORPORATIONS, SOCIE-  
4 TIES, AND ORGANIZATIONS, INCLUDING charitable, educational, and  
5 scientific institutions incorporated under the laws of this  
6 state. This exemption does not apply to secret or fraternal  
7 societies, but the personal property of all charitable homes of  
8 the NONPROFIT CORPORATIONS, societies, ~~and nonprofit~~  
9 ~~corporations~~ OR ORGANIZATIONS that own and operate facilities  
10 for the aged and chronically ill in which the net income from the  
11 operation of the corporations, SOCIETIES, OR ORGANIZATIONS does

1 not inure to the benefit of a person other than the residents is  
2 exempt.

3 (b) The property of all library associations, circulating  
4 libraries, libraries of reference, and reading rooms owned or  
5 supported by the public and not used for gain.

6 (c) The property of posts of the grand army of the republic,  
7 sons of veterans' unions, and of the women's relief corps con-  
8 nected with them, of young men's Christian associations, women's  
9 Christian temperance union associations, young people's Christian  
10 unions, a boy or girl scout or camp fire girls organization, 4-H  
11 clubs, and other similar associations.

12 (d) Pensions receivable from the United States.

13 (e) The property of Indians who are not citizens.

14 (f) The personal property owned and used by a householder  
15 such as customary furniture, fixtures, provisions, fuel, and  
16 other similar equipment, and the wearing apparel including per-  
17 sonal jewelry, family pictures, school books, library books of  
18 reference, and allied items. Personal property is not exempt  
19 under this subdivision if it is used to produce income, if it is  
20 held for speculative investment, or if it constitutes an inven-  
21 tory of goods for sale in the regular course of trade.

22 (g) Household furnishings, provisions, and fuel to the state  
23 equalized value of not more than \$5,000.00, of each social or  
24 professional fraternity, sorority, and student cooperative house  
25 recognized by the educational institution at which it is  
26 located.

1       (h) The working tools of a mechanic to the state equalized  
2 value of not more than \$500.00. "Mechanic", as used in this  
3 subdivision, means a person skilled in a trade pertaining to a  
4 craft or in the construction or repair of machinery if the  
5 person's employment by others is dependent on his or her furnish-  
6 ing the tools.

7       (i) Fire engines and other implements used in extinguishing  
8 fires owned or used by an organized or independent fire company.

9       (j) Property actually being used in agricultural operations  
10 and the farm implements held for sale or resale by retail servic-  
11 ing dealers for use in agricultural production. As used in this  
12 subdivision, "agricultural operations" means farming in all its  
13 branches, including cultivation of the soil, growing and harvest-  
14 ing of an agricultural, horticultural, or floricultural commodi-  
15 ty, dairying, raising of livestock, bees, fur-bearing animals, or  
16 poultry, turf and tree farming, raising and harvesting of fish,  
17 and any practices performed by a farmer or on a farm as an inci-  
18 dent to, or in conjunction with, farming operations, but exclud-  
19 ing retail sales and food processing operations. Property used  
20 in agricultural operations includes machinery used to prepare the  
21 crop for market operated incidental to a farming operation that  
22 does not substantially alter the form, shape, or substance of the  
23 crop and is limited to cleaning, cooling, washing, pitting, grad-  
24 ing, sizing, sorting, drying, bagging, boxing, crating, and han-  
25 dling if not less than 33% of the volume of the crops processed  
26 in the year ending on the applicable tax day or in at least 3 of  
27 the immediately preceding 5 years were grown by the farmer in

1 Michigan who is the owner or user of the crop processing  
2 machinery.

3 (k) Personal property to the state equalized value of not  
4 more than \$500.00 used by a householder in the operation of a  
5 business in the householder's dwelling or at 1 other location in  
6 the city, township, or village where the householder resides.

7 (l) The products, materials, or goods processed or otherwise  
8 and in whatever form, but expressly excepting alcoholic bever-  
9 ages, located in a public warehouse, United States customs port  
10 of entry bonded warehouse, dock, or port facility on December 31  
11 of each year, if those products, materials, or goods are desig-  
12 nated as in transit to destinations out of state pursuant to the  
13 published tariffs of a railroad or common carrier by the filing  
14 of the freight bill covering the products, materials, or goods  
15 with the agency designated by the tariffs, so as to entitle the  
16 shipper to transportation rate privileges. Products in a United  
17 States customs port of entry bonded warehouse that arrived from  
18 another state or a foreign country, whether awaiting shipment to  
19 another state or to a final destination within this state, are  
20 considered to be in transit and temporarily at rest, and not  
21 subject to personal property taxation. To obtain exemption, the  
22 owner shall file a sworn statement with, and in the form required  
23 by, the assessing officer of the tax district in which the ware-  
24 house, dock, or port facility is located, at a time between the  
25 tax day, December 31, and before closing of the assessment rolls  
26 by the assessing officer, describing the products, materials, or  
27 goods, and reporting their cost and value as of December 31 of

1 each year. The status of persons, and products, materials, or  
2 goods for which exemption is requested shall be determined as of  
3 December 31, which shall be the tax day. The assessment on the  
4 basis of average monthly inventory does not apply in valuing pro-  
5 ducts, materials, or goods for which exemption is requested. Any  
6 property located in a public warehouse, dock, or port facility on  
7 December 31 of each year, which is exempt from taxation under  
8 this subdivision but which is not shipped outside the state pur-  
9 suant to the particular tariff under which the transportation  
10 rate privilege was established, shall be assessed upon the next  
11 succeeding or a subsequent assessment roll by the assessing offi-  
12 cer and taxed at the same rate of taxation as other taxable prop-  
13 erties for the year or years for which the property was exempted,  
14 to the owner at the time of the omission, unless the owner or  
15 person entitled to possession of the products, materials, or  
16 goods is a resident of, or authorized to do business in, this  
17 state and files with the assessing officer, with whom statements  
18 of taxable property are required to be filed, a statement under  
19 oath that the products, materials, or goods are not for sale or  
20 use in this state and will be shipped to a point or points out-  
21 side this state. If a person, firm, or corporation claims exemp-  
22 tion by the filing of a sworn statement, the person, firm, or  
23 corporation shall append to the statement of taxable property  
24 required to be filed in the next year or, if a statement of tax-  
25 able property is not filed for the next year, a sworn statement  
26 on a form required by the assessing officer shall be filed  
27 showing a complete list of the property for which the exemption

1 was claimed with a statement of the manner of shipment and of the  
2 point or points to which the products, materials, or goods were  
3 shipped from the public warehouse, dock, or port facility and the  
4 products, materials, or goods not shipped to a point or points  
5 outside this state shall be assessed upon the next succeeding  
6 assessment roll, or on a subsequent assessment roll by the  
7 assessing officer and taxed at the same rate of taxation as other  
8 taxable properties for the year or years for which the property  
9 was exempted, to the owner at the time of the omission. The  
10 records, accounts, and books of warehouses, docks, or port facil-  
11 ities, individuals, partnerships, corporations, owners, or those  
12 in possession of tangible personal property shall be open to and  
13 available for inspection, examination, or auditing by assessing  
14 officers. A warehouse, dock, or port facility, individual, part-  
15 nership, corporation, owner, or person in possession of tangible  
16 personal property shall report within 90 days after shipment of  
17 products, materials, or goods in transit, for which exemption  
18 under this section was claimed or granted, the destination of  
19 shipments or parts of shipments and the cost value of those ship-  
20 ments to the assessing officer. For failure to comply with this  
21 requirement, the warehouse, dock, or port facility, individual,  
22 partnership, corporation, or owner is subject to a fine of  
23 \$100.00 for each omission. A person, firm, individual, partner-  
24 ship, corporation, or owner failing to report products, materi-  
25 als, or goods located in a warehouse, dock, or port facility to  
26 the assessing officer is subject to a fine of \$100.00 and a  
27 penalty of 50% of the final amount of taxes found to be

1 assessable for the year on property not reported, the assessable  
 2 taxes and penalty to be spread on a subsequent assessment roll in  
 3 the same manner as general taxes on personal property. For the  
 4 purpose of this subdivision, a public warehouse, dock, or port  
 5 facility means a warehouse, dock, or port facility owned or oper-  
 6 ated by a person, firm, or corporation engaged in the business of  
 7 storing products, materials, or goods for hire for profit who  
 8 issues a schedule of rates for storage of the products, materi-  
 9 als, or goods and who issues warehouse receipts pursuant to ~~Act~~  
 10 ~~No. 303 of the Public Acts of 1909, being sections 443.50 to~~  
 11 ~~443.55 of the Michigan Compiled Laws~~ 1909 PA 303, MCL 443.50 TO  
 12 443.55. A United States customs port of entry bonded warehouse  
 13 means a warehouse within a classification designated by 19  
 14 C.F.R. 19.1 and which is located in a port of entry, as defined  
 15 by 19 C.F.R. ~~101.1(m)~~ 101.1. A portion of a public warehouse,  
 16 United States customs port of entry bonded warehouse, dock, or  
 17 port facility leased to a tenant or a portion of any premises  
 18 owned or leased or operated by a consignor or consignee or an  
 19 affiliate or subsidiary of the consignor or consignee shall not  
 20 be considered a public warehouse, dock, or port facility.

21 (m) Personal property owned by a bank or trust company orga-  
 22 nized under the laws of this state, national banking association,  
 23 or incorporated bank holding company as defined in section 2 of  
 24 the bank holding company act of 1956, chapter 240, 70 Stat. 133,  
 25 12 U.S.C. 1841, that controls a bank, national banking associa-  
 26 tion, trust company, or industrial bank subsidiary located in  
 27 this state. However, buildings owned by a state or national

1 bank, trust company, or incorporated bank holding company and  
2 situated upon lands of which the state or national bank, trust  
3 company, or incorporated bank holding company is not the owner of  
4 the fee are considered real property and are not exempt from tax-  
5 ation and personal property owned by a state or national bank,  
6 trust company, or incorporated bank holding company that is  
7 leased, loaned, or otherwise made available to and used by a pri-  
8 vate individual, association, or corporation in connection with a  
9 business conducted for profit is not exempt from taxation.

10 (n) Farm products processed or otherwise, the ultimate use  
11 of which is for human or animal consumption as food, except wine,  
12 beer, and other alcoholic beverages regularly placed in storage  
13 in a public warehouse, dock, or port facility, while in storage  
14 are considered in transit and only temporarily at rest, and are  
15 not subject to personal property taxation. The assessing officer  
16 is the determining authority as to what constitutes, is defined  
17 as, or classified as, farm products as used in this subdivision.  
18 The records, accounts, and books of warehouses, docks, or port  
19 facilities, individuals, partnerships, corporations, owners, or  
20 those in possession of farm products shall be open to and avail-  
21 able for inspection, examination, or auditing by assessing  
22 officers.

23 (o) Sugar in solid or liquid form, produced from sugar beets  
24 and dried beet pulp and beet molasses, when owned or held by  
25 processors.

26 (p) The personal property of a parent cooperative  
27 preschool. As used in this subdivision and section 7z, "parent

1 cooperative preschool" means a nonprofit, nondiscriminatory  
2 educational institution maintained as a community service and  
3 administered by parents of children currently enrolled in the  
4 preschool, that provides an educational and developmental program  
5 for children younger than compulsory school age, that provides an  
6 educational program for parents, including active participation  
7 with children in preschool activities, that is directed by quali-  
8 fied preschool personnel, and that is licensed by the ~~department~~  
9 ~~of social services~~ FAMILY INDEPENDENCE AGENCY under ~~Act No. 116~~  
10 ~~of the Public Acts of 1973, being sections 722.111 to 722.128 of~~  
11 ~~the Michigan Compiled Laws~~ 1973 PA 116, MCL 722.111 TO 722.128.

12 (q) All equipment used exclusively in wood harvesting, but  
13 not including portable or stationary sawmills or other equipment  
14 used in secondary processing operations. As used in this subdi-  
15 vision, "wood harvesting" means the clearing of land for forest  
16 management purposes, the planting of trees, and all forms of cut-  
17 ting or chipping of trees and the loading of them on trucks for  
18 removal from the harvest area.

19 (r) Liquefied petroleum gas tanks located on residential or  
20 agricultural property and used to store liquefied petroleum gas  
21 for residential or agricultural property use. As used in this  
22 subdivision, "liquefied petroleum gas" means that term as defined  
23 in section 51 of ~~Act No. 150 of the Public Acts of 1927, being~~  
24 ~~section 207.151 of the Michigan Compiled Laws~~ 1927 PA 150, MCL  
25 207.151.

26 (s) Water conditioning systems used for a residential  
27 dwelling.