

**SUBSTITUTE FOR
SENATE BILL NO. 955**

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 9 (MCL 211.9), as amended by 2003 PA 140.

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 charitable, educational, and
4 scientific institutions incorporated under the laws of this
5 state. This exemption does not apply to secret or fraternal
6 societies, but the personal property of all charitable homes of
7 secret or fraternal societies and nonprofit corporations that own
8 and operate facilities for the aged and chronically ill in which
9 the net income from the operation of the nonprofit corporations
10 or secret or fraternal societies does not inure to the benefit of
11 a person other than the residents is exempt.

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

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

10 (d) Pensions receivable from the United States.

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

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

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

24 (h) The working tools of a mechanic of not more than \$500.00
25 in taxable value. "Mechanic", as used in this subdivision, means
26 a person skilled in a trade pertaining to a craft or in the
27 construction or repair of machinery if the person's employment by

1 others is dependent on his or her furnishing the tools.

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

4 (j) Property actually used in agricultural operations and
5 farm implements held for sale or resale by retail servicing
6 dealers for use in agricultural production. As used in this
7 subdivision, "agricultural operations" means farming in all its
8 branches, including cultivation of the soil, growing and
9 harvesting of an agricultural, horticultural, or floricultural
10 commodity, dairying, raising of livestock, bees, fur-bearing
11 animals, or poultry, turf and tree farming, raising and
12 harvesting of fish, and any practices performed by a farmer or on
13 a farm as an incident to, or in conjunction with, farming
14 operations, but excluding retail sales and food processing
15 operations. Property used in agricultural operations includes
16 ~~machinery~~ all of the following:

17 (i) A methane digester and a methane digester electric
18 generating system if the person claiming the exemption submits an
19 affidavit to the local tax collecting unit attesting that the
20 person claiming the exemption has not been found guilty of a
21 criminal violation under, or found responsible for a civil
22 violation under, part 31 of the natural resources and
23 environmental protection act, 1994 PA 451, MCL 324.3101 to
24 324.3133, within a 1-year period immediately preceding the date
25 the affidavit is submitted to the local tax collecting unit. As
26 used in this subparagraph:

27 (A) "Biogas" means a mixture of gases composed primarily of

1 methane and carbon dioxide.

2 (B) "Methane digester" means a system designed to facilitate
3 the production, recovery, and storage of biogas from the
4 anaerobic microbial digestion of animal or food waste.

5 (C) "Methane digester electric generating system" means a
6 methane digester and the apparatus and equipment used to generate
7 electricity or heat from biogas or to store biogas for the future
8 generation of electricity or heat.

9 (ii) A biomass gasification system. As used in this
10 subparagraph, "biomass gasification system" means apparatus and
11 equipment that thermally decomposes agricultural, food, or animal
12 waste at high temperatures and in an oxygen-free or a controlled
13 oxygen-restricted environment into a gaseous fuel and the
14 equipment used to generate electricity or heat from the gaseous
15 fuel or store the gaseous fuel for future generation of
16 electricity or heat.

17 (iii) A thermal depolymerization system. As used in this
18 subparagraph, "thermal depolymerization system" means apparatus
19 and equipment that use heat to break down natural and synthetic
20 polymers and that can accept only organic waste.

21 (iv) Machinery used to prepare the crop for market operated
22 incidental to a farming operation that does not substantially
23 alter the form, shape, or substance of the crop and is limited to
24 cleaning, cooling, washing, pitting, grading, sizing, sorting,
25 drying, bagging, boxing, crating, and handling if not less than
26 33% of the volume of the crops processed in the year ending on
27 the applicable tax day or in at least 3 of the immediately

1 preceding 5 years were grown by the farmer in Michigan who is the
2 owner or user of the crop processing machinery.

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

7 (l) The products, materials, or goods processed or otherwise
8 and in whatever form, but expressly excepting alcoholic
9 beverages, located in a public warehouse, United States customs
10 port of entry bonded warehouse, dock, or port facility on
11 December 31 of each year, if those products, materials, or goods
12 are designated as in transit to destinations outside this state
13 pursuant to the published tariffs of a railroad or common carrier
14 by filing the freight bill covering the products, materials, or
15 goods with the agency designated by the tariffs, entitling 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 the collection of taxes under this act. To obtain an
22 exemption for products, materials, or goods under this
23 subdivision, the owner shall file a sworn statement with, and in
24 the form required by, the assessing officer of the tax district
25 in which the warehouse, dock, or port facility is located, at a
26 time between the tax day, December 31, and before the assessing
27 officer closes the assessment rolls describing the products,

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

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

1 assessing officer is subject to a fine of \$100.00 and a penalty
 2 of 50% of the final amount of taxes found to be assessable for
 3 the year on property not reported, the assessable taxes and
 4 penalty to be spread on a subsequent assessment roll in the same
 5 manner as general taxes on personal property. For the purpose of
 6 this subdivision, a public warehouse, dock, or port facility
 7 means a warehouse, dock, or port facility owned or operated by a
 8 person, firm, or corporation engaged in the business of storing
 9 products, materials, or goods for hire for profit who issues a
 10 schedule of rates for storage of the products, materials, or
 11 goods and who issues warehouse receipts pursuant to 1909 PA 303,
 12 MCL 443.50 to 443.55. A United States customs port of entry
 13 bonded warehouse means a customs warehouse within a
 14 classification designated by ~~19 C.F.R. 19.1~~ **19 CFR 19.1** and
 15 that is located in a port of entry, as defined by ~~19 C.F.R.~~
 16 ~~101.1~~ **19 CFR 101.1**. A portion of a public warehouse, United
 17 States customs port of entry bonded warehouse, dock, or port
 18 facility leased to a tenant or a portion of any premises owned or
 19 leased or operated by a consignor or consignee or an affiliate or
 20 subsidiary of the consignor or consignee is not a public
 21 warehouse, dock, or port facility.

22 (m) Personal property owned by a bank or trust company
 23 organized under the laws of this state, a national banking
 24 association, or an incorporated bank holding company as defined
 25 in section ~~2~~ **1841** of the bank holding company act of 1956,
 26 ~~chapter 240, 70 Stat. 133, 12 U.S.C. 1841~~ **12 USC 1841**, that
 27 controls a bank, national banking association, trust company, or

1 industrial bank subsidiary located in this state. Buildings
2 owned by a state or national bank, trust company, or incorporated
3 bank holding company and situated upon lands of which the state
4 or national bank, trust company, or incorporated bank holding
5 company is not the owner of the fee are considered real property
6 and are not exempt from taxation. Personal property owned by a
7 state or national bank, trust company, or incorporated bank
8 holding company that is leased, loaned, or otherwise made
9 available to and used by a private individual, association, or
10 corporation in connection with a business conducted for profit is
11 not exempt from taxation.

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

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

1 (p) The personal property of a parent cooperative preschool.
2 As used in this subdivision and section 7z, "parent cooperative
3 preschool" means a nonprofit, nondiscriminatory educational
4 institution maintained as a community service and administered by
5 parents of children currently enrolled in the preschool, that
6 provides an educational and developmental program for children
7 younger than compulsory school age, that provides an educational
8 program for parents, including active participation with children
9 in preschool activities, that is directed by qualified preschool
10 personnel, and that is licensed under 1973 PA 116, MCL 722.111 to
11 722.128.

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
15 subdivision, "wood harvesting" means clearing land for forest
16 management purposes, planting trees, all forms of cutting or
17 chipping trees, and loading trees on trucks for removal from the
18 harvest area.

19 (r) Liquefied petroleum gas tanks located on residential or
20 agricultural property used to store liquefied petroleum gas for
21 residential or agricultural property use.

22 (s) Water conditioning systems used for a residential
23 dwelling.

24 (t) For taxes levied after December 31, 2000, aircraft
25 excepted from the registration provisions of the aeronautics code
26 of the state of Michigan, 1945 PA 327, MCL 259.1 to 259.208, and
27 all other aircraft operating under the provisions of a

1 certificate issued under ~~14 C.F.R. part 121~~ **14 CFR part 121**,
2 and all spare parts for such aircraft.