

SENATE BILL No. 955

February 4, 2004, Introduced by Senators BROWN, CROPSEY, BARCIA, VAN
WOERKOM, McMANUS, ALLEN, GOSCHKA, KUIPERS, GARCIA and JELINEK and
referred to the Committee on Agriculture, Forestry and Tourism.

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. As used in this subparagraph:

19 (A) "Biogas" means a mixture of gases composed primarily of
20 methane and carbon dioxide.

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

24 (C) "Methane digester electric generating system" means a
25 methane digester and the apparatus and equipment used to generate
26 electricity or heat from biogas or to store biogas for the future
27 generation of electricity or heat.

1 (ii) **Machinery** used to prepare the crop for market operated
2 incidental to a farming operation that does not substantially
3 alter the form, shape, or substance of the crop and is limited to
4 cleaning, cooling, washing, pitting, grading, sizing, sorting,
5 drying, bagging, boxing, crating, and handling if not less than
6 33% of the volume of the crops processed in the year ending on
7 the applicable tax day or in at least 3 of the immediately
8 preceding 5 years were grown by the farmer in Michigan who is the
9 owner or user of the crop processing machinery.

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

14 (l) The products, materials, or goods processed or otherwise
15 and in whatever form, but expressly excepting alcoholic
16 beverages, located in a public warehouse, United States customs
17 port of entry bonded warehouse, dock, or port facility on
18 December 31 of each year, if those products, materials, or goods
19 are designated as in transit to destinations outside this state
20 pursuant to the published tariffs of a railroad or common carrier
21 by filing the freight bill covering the products, materials, or
22 goods with the agency designated by the tariffs, entitling the
23 shipper to transportation rate privileges. Products in a United
24 States customs port of entry bonded warehouse that arrived from
25 another state or a foreign country, whether awaiting shipment to
26 another state or to a final destination within this state, are
27 considered to be in transit and temporarily at rest, and not

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

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

1 assessing officer. A warehouse, dock, port facility, individual,
2 partnership, corporation, or owner is subject to a fine of
3 \$100.00 for each failure to report the destination and cost value
4 of shipments or parts of shipments as required in this
5 subdivision. A person, firm, individual, partnership,
6 corporation, or owner failing to report products, materials, or
7 goods located in a warehouse, dock, or port facility to the
8 assessing officer is subject to a fine of \$100.00 and a penalty
9 of 50% of the final amount of taxes found to be assessable for
10 the year on property not reported, the assessable taxes and
11 penalty to be spread on a subsequent assessment roll in the same
12 manner as general taxes on personal property. For the purpose of
13 this subdivision, a public warehouse, dock, or port facility
14 means a warehouse, dock, or port facility owned or operated by a
15 person, firm, or corporation engaged in the business of storing
16 products, materials, or goods for hire for profit who issues a
17 schedule of rates for storage of the products, materials, or
18 goods and who issues warehouse receipts pursuant to 1909 PA 303,
19 MCL 443.50 to 443.55. A United States customs port of entry
20 bonded warehouse means a customs warehouse within a
21 classification designated by ~~19 C.F.R. 19.1~~ **19 CFR 19.1** and
22 that is located in a port of entry, as defined by ~~19 C.F.R.~~
23 ~~101.1~~ **19 CFR 101.1**. A portion of a public warehouse, United
24 States customs port of entry bonded warehouse, dock, or port
25 facility leased to a tenant or a portion of any premises owned or
26 leased or operated by a consignor or consignee or an affiliate or
27 subsidiary of the consignor or consignee is not a public

1 warehouse, dock, or port facility.

2 (m) Personal property owned by a bank or trust company
3 organized under the laws of this state, a national banking
4 association, or an incorporated bank holding company as defined
5 in section ~~2~~ **1841** of the bank holding company act of 1956,
6 ~~chapter 240, 70 Stat. 133, 12 U.S.C. 1841~~ **12 USC 1841**, that
7 controls a bank, national banking association, trust company, or
8 industrial bank subsidiary located in this state. Buildings
9 owned by a state or national bank, trust company, or incorporated
10 bank holding company and situated upon lands of which the state
11 or national bank, trust company, or incorporated bank holding
12 company is not the owner of the fee are considered real property
13 and are not exempt from taxation. Personal property owned by a
14 state or national bank, trust company, or incorporated bank
15 holding company that is leased, loaned, or otherwise made
16 available to and used by a private individual, association, or
17 corporation in connection with a business conducted for profit is
18 not exempt from taxation.

19 (n) Farm products, processed or otherwise, the ultimate use
20 of which is for human or animal consumption as food, except wine,
21 beer, and other alcoholic beverages regularly placed in storage
22 in a public warehouse, dock, or port facility while in storage
23 are considered in transit and only temporarily at rest and are
24 not subject to personal property taxation. The assessing officer
25 is the determining authority as to what constitutes, is defined
26 as, or classified as, farm products as used in this subdivision.
27 The records, accounts, and books of warehouses, docks, or port

1 facilities, individuals, partnerships, corporations, owners, or
2 those in possession of farm products shall be open to and
3 available for inspection, examination, or auditing by assessing
4 officers.

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

8 (p) The personal property of a parent cooperative preschool.
9 As used in this subdivision and section 7z, "parent cooperative
10 preschool" means a nonprofit, nondiscriminatory educational
11 institution maintained as a community service and administered by
12 parents of children currently enrolled in the preschool, that
13 provides an educational and developmental program for children
14 younger than compulsory school age, that provides an educational
15 program for parents, including active participation with children
16 in preschool activities, that is directed by qualified preschool
17 personnel, and that is licensed under 1973 PA 116, MCL 722.111 to
18 722.128.

19 (q) All equipment used exclusively in wood harvesting, but
20 not including portable or stationary sawmills or other equipment
21 used in secondary processing operations. As used in this
22 subdivision, "wood harvesting" means clearing land for forest
23 management purposes, planting trees, all forms of cutting or
24 chipping trees, and loading trees on trucks for removal from the
25 harvest area.

26 (r) Liquefied petroleum gas tanks located on residential or
27 agricultural property used to store liquefied petroleum gas for

1 residential or agricultural property use.

2 (s) Water conditioning systems used for a residential
3 dwelling.

4 (t) For taxes levied after December 31, 2000, aircraft
5 excepted from the registration provisions of the aeronautics code
6 of the state of Michigan, 1945 PA 327, MCL 259.1 to 259.208, and
7 all other aircraft operating under the provisions of a
8 certificate issued under ~~14 C.F.R. part 121~~ **14 CFR part 121**,
9 and all spare parts for such aircraft.