

Legislative Analysis



EXEMPT COMMERCIAL PERSONAL PROPERTY FROM SCHOOL OPERATING TAXES UNDER PA 198

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

House Bill 5666

Sponsor: Rep. Robert Dean

Committee: Tax Policy

Complete to 2-12-08

A SUMMARY OF HOUSE BILL 5666 AS INTRODUCED 1-24-08

Public Act 39 of 2007 amended the Plant Rehabilitation and Industrial Development Act, commonly referred to as PA 198, to exempt the personal property component of industrial property that is subject to the Industrial Facilities Tax from that portion of the IFT that is attributable to the 18 school operating mills and the State Education Tax. The IFT is the lower specific tax that firms pay when they receive a property tax abatement under PA 198.

PA 39 was part of the package of business tax bills that included the new Michigan Business Tax. The package (1) exempted industrial personal property (but not real property) from the local 18-mill school operating taxes and the 6-mill State Education Tax; and (2) exempted commercial personal property (but not real property) from 12 of the 18 school operating mills.

House Bill 5666 would amend PA 198 so that the same exemption that commercial personal property receives from a portion of school operating taxes under the General Property Tax Act (as noted in the paragraph above) would apply to the personal property component of commercial property subject to the IFT.

Under Public Act 198, local governments can grant industrial facilities exemption certificates to new facilities and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement to an industrial facility, which then pays a lower specific tax—the Industrial Facilities Tax—instead of regular property taxes. Prior to PA 39 of 2007, the IFT on new and speculative buildings essentially equaled one-half of property taxes typically levied, except that the 6-mill State Education Tax had to be paid in full. PA 39, as noted above, exempted the personal property component of an industrial facility that pays the IFT instead of regular property taxes from school taxes.

MCL 207.564

FISCAL IMPACT:

A fiscal analysis is in process.

Legislative Analyst: Chris Couch
Fiscal Analyst: Rebecca Ross

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.