

LATE-QUALIFYING ELIGIBLE MANUFACTURING PERSONAL PROPERTY

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Senate Bill 807 (S-1) as passed by the Senate
Sponsor: Sen. Michael MacDonald
House Committee: Tax Policy
Senate Committee: Finance
Complete to 6-14-22

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

SUMMARY:

Senate Bill 807 would amend the State Essential Services Assessment Act to provide, for the 2021 tax year only, a process through which an owner of personal property that would have qualified for an exemption from property taxes and for an assessment under the act, except that the applicable paperwork was not properly filed due to the COVID-19 pandemic, could obtain an exemption and assessment retroactively. Note that the bill would apply only to personal property that would otherwise have been eligible for the exemption for the first time in the 2021 tax year (the relevant paperwork is filed in the year the property becomes eligible).

Under the bill, for the 2021 tax year only, if, due to the COVID-19 pandemic, a combined document as required in section 9m(2) or 9n(2) of the General Property Tax Act was not properly filed to claim an exemption for personal property that would have qualified for that exemption in the 2021 tax year from the collection of property taxes under that act, the owner of that personal property could obtain from the State Tax Commission an order granting the exemption retroactively and establishing an assessment on that personal property under the State Essential Services Assessment Act, subject to all of the following:

- Not later than 30 days after the bill's effective date, the property owner would have to submit to the State Tax Commission a combined document applicable to that personal property for the 2021 tax year, as described above, and an application in a form and manner prescribed by the State Tax Commission.
- If the State Tax Commission approved the application, it would have to issue an order doing all of the following:
 - Granting the exemption under section 9m or 9n of the General Property Tax Act for the 2021 tax year only.
 - Establishing the 2021 assessment under the State Essential Services Assessment Act for the property and setting the due date for the payment of that assessment 45 days after the date of the order.
 - Providing that if the 2021 assessment established by the order is not paid as directed by the order, the exemption of the property under the General Property Tax Act is rescinded.
 - Either or both of the following, as applicable:
 - If the property owner has paid some or all of the 2021 property taxes, ordering that the property owner be paid a refund as described below in an amount equal to the amount of the 2021 property taxes paid by the property owner, including any penalties or interest paid on those taxes, and setting the due date for the refund 30 days after the date of the order.

- To the extent that the 2021 property taxes are unpaid, ordering the cancellation of those unpaid property taxes, including any unpaid penalties or interest on those taxes, and establishing the amount of a distribution to be paid to the *local tax collecting unit* as described below equal to the amount of the unpaid property taxes, not including any unpaid penalties or interest on those taxes.
- If the State Tax Commission denied the application, it would have to issue a written notice to the local tax collecting unit and the owner of the personal property explaining the reason for the denial and advising the owner that the denial may be appealed to the Tax Tribunal within 35 days after the date of the notice.

Local tax collecting unit would mean the township or city whose assessor would have received a combined document claiming the exemption of qualifying personal property for the 2021 tax year if a claim of exemption had been properly filed for the 2021 tax year under section 9m or 9n of the General Property Tax Act.

The bill also would create the Late-Qualifying Eligible Manufacturing Personal Property Tax Reimbursement Fund in the state treasury. The state treasurer would have to deposit in the fund money and assets received from any source, direct the investment of money in the fund, and credit to the fund interest and earnings from those investments. The Department of Treasury would be the administrator of the fund for audits of the fund. Money in the fund at the close of the fiscal year would remain in the fund and not lapse to the general fund, unless all of the expenditures that will be made as described below have been made.

The Department of Treasury would have to expend money from the fund, upon appropriation and receipt of an order from the State Tax Commission as described above, only for the following purposes:

- Distribution to local tax collecting units for the purpose of making refunds, as described above, of property taxes paid.
- Distribution to local tax collecting units for the purpose of redistribution of unpaid 2021 property taxes, as described above, to taxing units that levied those taxes.

Proposed MCL 211.1057a

FISCAL IMPACT:

As written, SB 807 would reduce state and local revenue from the personal property tax by an unknown amount. However, because the bill only applies to personal property that would otherwise been eligible for the exemption for the first time in TY 2021, the actual revenue reduction is expected to be relatively small.

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■ 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.