



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 803 (as introduced 10-6-05)  
Sponsor: Senator Jason E. Allen  
First Senate Committee: Technology and Energy  
Second Senate Committee: Finance

Date Completed: 5-10-05

### **CONTENT**

**The bill would amend the General Property Tax Act to provide that a fuel cell energy system, photovoltaic energy system, and wind energy system would be considered personal property for the purposes of taxation, for taxes levied after December 31, 2005.**

(Under the Act, alternative energy personal property, including an alternative energy system as defined in the Michigan Next Energy Authority Act, is exempt from taxation through 2012. The definition of "alternative energy system" in that Act includes a fuel cell energy system, a photovoltaic energy system, and a wind energy system.)

Under the bill, "fuel cell energy system" would mean one or more fuel cells or fuel cell stacks and an inverter or other power conditioning unit. A fuel cell energy system also could include a fuel processor. "Fuel cell" would mean an electrochemical device that uses an external fuel and continuously converts the energy released from the oxidation of fuel by oxygen directly into electricity without combustion and consists of an anode, a cathode, and an electrolyte. "Fuel cell stack" would mean an assembly of fuel cells. "Fuel processor" would mean a device that converts a fuel, including methanol, natural gas, or gasoline, into a hydrogen-rich gas, without combustion for use in a fuel cell.

"Photovoltaic energy system" would mean a solar energy device composed of at least one photovoltaic cell or photovoltaic module and an inverter or other power conditioning unit. A photovoltaic system also could include batteries for power storage or an electricity storage device. "Photovoltaic cell" would mean an integrated device consisting of layers of semiconductor materials and electrical contacts capable of converting incident light directly into electricity. "Photovoltaic module" would mean an assembly of photovoltaic cells.

"Wind energy system" would mean an integrated unit consisting of a wind turbine composed of a rotor, an electrical generator, a control system, an inverter or other power conditioning unit, and a tower, that uses moving air to produce power.

MCL 211.8

Legislative Analyst: Julie Koval

### **FISCAL IMPACT**

The bill essentially would have no fiscal impact on State or local government. The bill basically would codify the current practice for the treatment of these types of property. However, this treatment is largely inferred from provisions added pursuant to the Michigan Next Energy Authority Act and associated legislation. Recent Tax Tribunal decisions have questioned that inference. As a result, the bill would prevent an increase in State and local

property tax revenue because, if this property were no longer considered personal property, it would no longer be entitled to the exemption in M.C.L. 211.9i, which exempts alternative energy personal property from taxation under the General Property Tax Act through 2012.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin

S0506\sb803sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.