

Legislative Analysis



LATE-QUALIFYING ELIGIBLE MANUFACTURING PERSONAL PROPERTY

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House Bill 4084 as reported from committee

Sponsor: Rep. Nate Shannon

Committee: Tax Policy

Complete to 5-1-23

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

(Enacted as Public Act 211 of 2023)

SUMMARY:

House Bill 4084 would amend the State Essential Services Assessment Act to provide a process, for the 2021 tax year only, through which an owner of personal property that would have qualified for an exemption from property taxes and an assessment under the act, but did not qualify because 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).

Specifically, 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

BRIEF DISCUSSION:

According to committee testimony, the Department of Treasury is aware of at least 15 businesses that failed to file the required paperwork on time during the 2021 tax year, but expects the number to grow. Proponents of the legislation argue that the impact of failing to ensure these that businesses are able to access the exemption they were eligible for could lead to negative effects, including reduced operations or possible closures.

Proponents also highlighted the time-sensitive nature of the legislation, noting that the taxes owed for the 2021 tax year have been sent to counties for collection.

Other testimony pointed to the lack of an appropriation to the Late-Qualifying Eligible Manufacturing Personal Property Tax Reimbursement Fund, noting that the bill would need to be accompanied by an appropriation in order to function as intended.

FISCAL IMPACT:

By requiring deposits to the Late-Qualifying Eligible Manufacturing Personal Property Tax Reimbursement Fund to provide reimbursement (upon appropriation) to local units affected by the bill, state resources would decline by an unknown, but likely small amount. In addition, revenue received via the Essential Services Assessment would increase, albeit by a smaller amount.

POSITIONS:

Representatives of the following entities testified in support of the bill (4-19-23)

- Michigan Municipal League
- City of Sterling Heights
- J.G. Kern Enterprises
- Michigan Manufacturers Association

The following entities indicated support for the bill (4-19-23):

- Michigan Townships Association
- Michigan Assessors Association

Representatives of the Michigan Department of Treasury testified with a neutral position on the bill. (4-19-23)

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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.