December 15, 2020

The Honorable Brandt Iden, Chair
The Honorable Jim Lilly
The Honorable Eric Leutheuser
The Honorable Beth Griffin
The Honorable Roger Hauck
The Honorable Bronna Kahle
The Honorable Luke Meerman
The Honorable Rebekah Warren
The Honorable Wendell Byrd
The Honorable Kevin Hertel
The Honorable Kyra Bolden
House Ways and Means Committee
Michigan House of Representatives
Lansing, MI 48909

Committee Members,

MML, MAC, and MTA are opposed to the current proposals outlined in Senate Bills 1105 and 1106 to exempt utility-grade solar personal property from taxation and replace it with a Payment In Lieu of Tax (PILT) system at a reduced level.

Our organizations have a history of support for alternative energy and support for the current Personal Property Tax reform system that reimburses local units 100 percent for their Eligible Manufacturing Personal Property. We also have consistently stated our willingness to engage in a collaboratively developed PILT alternative for additional solar investment in Michigan.

Unfortunately, the language you have before you today has been crafted without the financial data necessary to develop the appropriate PILT reimbursement level and continues to include provisions that run counter to local control and lacks the protections that are standard in other, existing economic development incentives utilized in Michigan.

The Michigan Department of Treasury has been working throughout the late summer and fall to gather data on existing solar projects in Michigan and the assessing treatment of that existing equipment, to provide a baseline that can be used by local governments and industry to craft a mechanism that both sides can support. That data and accompanying recommendations from the Department are still in process and to adopt legislation prior to having this information would be premature.

In addition to the need for this critical information to develop a cooperative proposal that our organizations can support, the following items in the proposed language continue to need more work to achieve local government support:

- Based upon the PILT amount specified in the bill as passed the Senate and as proposed in the H-1 version, there are existing examples from projects currently online in Michigan that the proposed reimbursement to locals would amount to around .20 cents on the dollar for what would normally be paid for such a project—an amount we believe is inappropriate and based on the proposed bill, is not subject to negotiation between the local unit and the developer.
- The legislation would mandate local units to approve every eligible project tax exemption application, regardless of the local unit's existing development plans for the land in question or interest in promoting these types of projects. A local review and approval process are a standard component for current local economic development incentives like the PA 198 Industrial Facilities Tax Exemption Certificate or PA 328 Personal Property Exemption.
- Additional clarity is necessary to delineate the exemption would apply only to the personal property and not the underlying value to the land or special assessment for fire protection service.
- Definitional language surrounding the inclusion of "any energy storage devices" and "all other equipment and materials" remains unclear as to the size, scope, and location of any such additional equipment, beyond the panels, racking systems, and related wiring that are commonly understood to be a part of such a project.
- The exemption offered in the current language remains in effect for an undefined period, based upon when the project "permanently" ceases operation, with no parameters for who determines that permanent cessation. This also runs counter to many existing economic development incentives that have specific time periods that the exemption may remain in effect.
- The proposed language does not offer any allowance for an audit or other compliance enforcement, outside of the nonpayment of the agreed upon annual PILT.
- Penalty or interest on unpaid payments are not included nor any requirement to post a performance bond or other protection against abandonment and necessary clean up if the developer walks away from the project in the future. Again, these are provisions that are standard in other existing economic development incentives.

Our organizations remain committed to working with the sponsors and the Administration to cooperatively develop an incentive that will promote solar development in Michigan, while also balancing the needs of local governments and the residents they serve.

We ask that you hold action on these bills to allow all sides to come together on a mutually agreeable proposal next year.

Thank you,

Judy Allen
Director of Government Relations
Michigan Townships Association

Deena Bosworth
Director of Government Affairs
Michigan Association of Counties

Chris Hackbarth
Director, State and Federal Affairs
Michigan Municipal League