

MMA Testimony on PPT – “One and Done” End Local Filing Package

HB 5502 (Tisdell), HB 5503 (Farrington), HB 5504 (Calley), HB 5505 (Cavanagh), HB 5506 (Ellison)

House Tax Policy Committee, 11/3/21

Mr. Chair and Committee members, thank you for the opportunity to be here with my friends from Treasury, Office of Legislative Affairs Director Aaron Keel, and Executive Director of the State Tax Commission and Administrator of the Property Services Division David Buick. We are here to share our joint support for the PPT “One and Done” package. We have worked closely together throughout the last year to develop this package and I want to thank David and Aaron as well as Heather Frick for their work on this package. I would also like to thank the five sponsors on this committee, Representatives Tisdell, Calley, Farrington, Ellison, and Cavanagh.

This package of bills implements a plan that has been anticipated since manufacturing personal property was exempted by the Legislature and the people of Michigan when they supported a statewide ballot proposal back in 2014. The plan, as originally passed, phased in the elimination of the eligible manufacturing personal property between 2016 to 2023 when all manufacturing personal property will be exempt. During the phase-in period, local units of government needed to know what property would be exempt and what property would be subject to local ad valorem taxes. Businesses and local governments alike have been frustrated by the complex process used to track exempt equipment, and equipment which is not yet exempt based on its age.

2023 will be the last year companies will need to file the complex form locally and will instead file at the state level through the Michigan Treasury Online system. Treasury will continue to use the information, so locals can get reimbursed through the existing reimbursement formula.

This package does not change any specific policy relative to what property is exempt or not exempt, or the reimbursement to local units of government. The package simply ends the administrative burden for both businesses and local units of government related to the phase-in period. While the package includes five bills, it simply removes the act of filing locally as anticipated from the beginning and ends a significant administrative burden for everyone.

While I don’t want to speak for any of the local government organizations, together with Treasury we have worked with them, and I am not aware of any concerns about the package.

Mr. Chair, with your permission, I will hand it over to David Buick.

Mike Johnston, VP, Government Affairs

“One and Done:” Streamlining Personal Property Tax Exemption Filing

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Bills

- **HB 5502 (Tisdell)** - Amends the General Property Tax Act, Sec. 9m to end local filing in 2023
- **HB 5503 (Farrington)** - Amends the General Property Tax Act, Sec. 9n to end local filing in 2023
- **HB 5504 (Calley)** - Amends the State Essential Services Assessment Act to end local filing in 2023
- **HB 5505 (Cavanagh)**- Amends the Alternative State Essential Services Assessment Act to end local filing in 2023
- **HB 5506 (Ellison)** - Amends PA 198 of 1974 to prohibit approving local exemptions for eligible manufacturing personal property that will be exempt as of 2023

Issue

The “One and Done” package will effectuate the original goal from the beginning of the phase-out in 2016, specifically ending local filing for exempt manufacturing personal property (EMPP) in 2023. MMA has worked closely with the Michigan Department of Treasury to develop this package to provide the clear authority to end local filing and simplify the filing with the state. This package of bills does not change tax policy nor affect reimbursement to local units of government. The bills only streamline the administrative filing processes for manufacturers.

Background

- Manufacturing personal property was exempt beginning in 2016
- Exemption was established through a successful statewide ballot proposal in 2014 and legislative action
- PPT elimination on manufacturing equipment removed a significant competitive disadvantage for Michigan as most states had already eliminated the tax
- The plan reimburses local units of government for lost revenues through the Local Community Stabilization Authority Act
 - Funded – Essential Services Assessment and earmark of a portion of the use tax
- The exemption was phased in (2016-2023) exempting new equipment and 10 years or older each year until all years are exempt in 2023 (see chart below)
- During the phase-out, manufacturers had to file a complicated form ([Form 5278](#)) to report to local units of government which equipment is exempt based on age and which equipment remains on the local tax rolls each year until fully exempt in 2023.

Phase Out Chart by Year

		Tax Year								
		2015	2016	2017	2018	2019	2020	2021	2022	2023
Vintage Year	2005	T	E	E	E	E	E	E	E	E
	2006	T	T	E	E	E	E	E	E	E
	2007	T	T	T	E	E	E	E	E	E
	2008	T	T	T	T	E	E	E	E	E
	2009	T	T	T	T	T	E	E	E	E
	2010	T	T	T	T	T	T	E	E	E
	2011	T	T	T	T	T	T	T	E	E
	2012	T	T	T	T	T	T	T	T	E
	2013	T	E	E	E	E	E	E	E	E
	2014	T	E	E	E	E	E	E	E	E
2015	N/A	E	E	E	E	E	E	E	E	

Details

The bills modify the three relevant acts to achieve the simple goal of ending local filing for exempt manufacturing personal property, and filing with the state, starting in 2023.

- **HB 5502 (Tisdell)** - Amends the General Property Tax Act, PA 206 of 1893, Sec. 9m to end local filing in 2023
 - Sec. 9m – New manufacturing personal property (EMPP)
 - Combined document no longer required after 2023, ends local filing in 2023
 - Beginning 2023, an exemption remains in effect until no longer qualified new personal property
 - Allow the local assessor to put property back on the tax rolls if property is no longer eligible EMPP
 - 1% per month interest rate on payback

HB 5503 (Farrington) - Amends the General Property Tax Act, PA 206 of 1893, Sec. 9n to end local filing in 2023

- Sec. 9n – Previously Existing Manufacturing Personal Property (PEEMPP)
 - Combined document no longer required after 2023, ends local filing in 2023.
 - Beginning 2023, an exemption remains in effect until no longer qualified new personal property
 - Allow the local assessor to put property back on the tax rolls, if property is no longer eligible EMPP

- 1% per month interest rate on payback
- **HB 5504 (Calley)** - Amends the State Essential Services Assessment Act– PA 92 of 2014 to end local filing in 2023
 - Essential Services Assessment Act – PA 92 of 2014
 - Beginning in 2024, file a statement with the department.
 - Allow rescission for failure to pay the “essential services assessment”.
 - Any rescission based on audit shall require payment of penalties and interest within 35 days
- **HB 5505 (Cavanagh)** - Amends the Alternative State Essential Services Assessment Act to end local filing in 2023
 - Alternative Services Assessment Act – PA 93 of 2014
 - Beginning in 2024, file a statement with the department.
 - Allow rescission for failure to pay the “essential services assessment”
 - Any rescission based on audit shall require payment of penalties and interest within 35 days
- **HB 5506 (Ellison)** - Amends PA 198 of 1974 to prohibit approving local exemptions for eligible manufacturing personal property that will be exempt as of 2023.
 - Plant Rehabilitation and Industrial Development Districts – PA 198 of 1974
 - Prohibits requesting a PA 198 exemption from local units for property that is EMPP. This helps eliminate administrative efforts for property that is already exempt.

