

HOUSE BILL No. 4910

June 9, 2005, Introduced by Rep. Farrah and referred to the Committee on Tax Policy.

A bill to amend 1905 PA 282, entitled

"An act to provide for the assessment of the property, by whomsoever owned, operated or conducted, of railroad companies, union station and depot companies, telegraph companies, telephone companies, sleeping car companies, express companies, car loaning companies, stock car companies, refrigerator car companies, and fast freight companies, and all other companies owning, leasing, running or operating any freight, stock, refrigerator, or any other cars, not being exclusively the property of any railroad company paying taxes upon its rolling stock under the provisions of this act, over or upon the line or lines of any railroad or railroads in this state, and for the levy of taxes thereon by a state board of assessors, and for the collection of such taxes, and to repeal all acts or parts of acts contravening any of the provisions of this act,"

by amending sections 13 and 13a (MCL 207.13 and 207.13a), section 13 as amended by 2001 PA 35 and section 13a as added by 2000 PA 341.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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Sec. 13. (1) The state board of assessors, from the

1 information contained in the reports provided for in section 12,
2 shall determine for the year in which the reports are required to
3 be made the average rate of taxation levied on other commercial,
4 industrial, and utility property on which ad valorem taxes are
5 assessed for state, county, township, school, and municipal
6 purposes, and enter the determination in its records, together with
7 the method by which the average rate of taxation was determined. In
8 determining the average rate of taxation for taxes levied under
9 this act before January 1, 1996, the state board of assessors shall
10 divide the state equalized value as set by the state board of
11 equalization for the previous year into the total ad valorem taxes
12 as reported by each director of a county tax or equalization
13 department as provided in section 12. In determining the average
14 rate of taxation for taxes levied under this act after December 31,
15 1995, the state board of assessors shall divide the state taxable
16 value for the previous year into the total ad valorem taxes as
17 reported by each director of a county tax or equalization
18 department as provided in section 12. In determining the average
19 rate of taxation for 1994, ad valorem taxes levied for the year in
20 which the reports are required by a local school district for
21 school operating purposes as defined in section 1211 of the revised
22 school code, 1976 PA 451, MCL 380.1211, shall be excluded from the
23 calculation required by this section and the state board of
24 assessors shall add to the tax rate calculated under this section
25 after the exclusion required by this sentence, the number of mills
26 levied under the state education tax act, 1993 PA 331, MCL 211.901
27 to 211.906, plus the statewide average number of mills levied in

1 1994 by local school districts for school operating purposes under
2 the revised school code, 1976 PA 451, MCL 380.1 to 380.1852. If the
3 state board of assessors is unable to determine the average rate of
4 taxation for 1994 before June 1, 1994, the state board of assessors
5 shall determine a preliminary average rate of taxation that shall
6 be used to complete the 1994 tax roll under section 14. However,
7 before June 1, 1995, the state board of assessors shall determine
8 and certify the average rate of taxation for 1994 and prepare a
9 supplemental 1994 tax roll using the 1994 assessed valuations for
10 the purpose of levying a supplemental tax or making a refund. The
11 supplemental tax is due and payable and the refund, if any, is due
12 July 1, 1995 without interest. If the supplemental tax is paid
13 after August 1, 1995, the tax is payable with interest due at the
14 rate of 1% per month or portion of a month calculated from January
15 15, 1995 to the date of payment.

16 (2) ~~A~~ **BEFORE THE 2006 TAX YEAR, A** railroad company is
17 allowed a credit against the tax imposed by this act for the tax
18 year in an amount equal to 25% of the amount expended for the
19 maintenance or improvement of rights of way, including those items,
20 except depreciation, in the official maintenance-of-way and capital
21 track accounts of the railroad company in this state during the
22 calendar year immediately preceding the tax year but not to exceed
23 the total liability for the tax under this act. The manner of
24 applying for the credit and the proof of expenditures required
25 shall be prescribed by the state board of assessors. **AFTER THE 2005**
26 **TAX YEAR, THE CREDIT UNDER THIS SUBSECTION SHALL NOT BE ALLOWED.**

27 (3) A railroad company that claims a credit under ~~this~~

1 ~~section~~ **SUBSECTION (2)** is required to file an annual report with
2 the state board of assessors that shall include detailed data of
3 right of way work conducted in this state during the past calendar
4 year. The state board of assessors shall transmit a copy of the
5 report to the chairperson of the senate finance committee and the
6 house ~~taxation~~ **TAX POLICY** committee. This report submitted to the
7 state board of assessors shall include the number of notices of
8 violation from railway inspectors by railroad section, and shall
9 include a detailed account of the location and the nature of the
10 work. The location of the work shall be defined by the railroad
11 section or mile posts surrounding the work area plus the county,
12 city, or township in which the work was performed. This report
13 shall include a separation of costs by labor and materials on each
14 project. The report also shall include an itemized account of what
15 work was done. This account shall be itemized by the following
16 categories:

17 (a) Miles of track laid.

18 (b) Tons of new ballast installed.

19 (c) Number of ties installed.

20 (d) Miles of tracks surfaced.

21 (e) Signals installed.

22 (f) Under drainage work done.

23 (4) The railroad companies, in order to qualify for the full
24 25% credit under ~~this act~~ **SUBSECTION (2)**, must demonstrate to the
25 state board of assessors that the highest priority of expenditures
26 for the maintenance or improvement of rights of way has been given
27 to rail lines that handle hazardous materials, especially those

1 that are located in urban or residential areas. A railroad company
2 that claims a credit under ~~this section~~ **SUBSECTION (2)** is
3 required to file an annual report with the state board of assessors
4 that shall include detailed data on the tonnages of hazardous
5 materials handled in relation to tonnages of other traffic handled
6 over the rail line for which a tax credit is being applied.

7 (5) A railroad company ~~utilizing the property tax~~ **THAT**
8 **CLAIMS A** credit ~~provisions of this act~~ **UNDER SUBSECTION (2)** shall
9 grant to another railroad company, upon application by the latter,
10 trackage rights over its line for trains, providing that the train
11 operations do not interfere with the movement of Michigan freight
12 using the same trackage, if operations can be accomplished safely
13 in the opinion of the grantor and if trackage arrangements and
14 train operations are approved by the interstate commerce
15 commission. The grantee shall pay the grantor reasonable charges
16 agreed to between the 2 parties if the charges and terms of the
17 agreement between the 2 parties are not in violation of the
18 antitrust provisions of federal laws.

19 Sec. 13a. (1) ~~Subject~~ **BEFORE THE 2006 TAX YEAR AND SUBJECT**
20 to subsection (2), an eligible company is allowed a credit against
21 the tax imposed under this act for the tax year equal to the amount
22 of eligible expenses incurred during the calendar year immediately
23 preceding the tax year for which the credit under this subsection
24 is claimed. **AFTER THE 2005 TAX YEAR, A CREDIT UNDER THIS SUBSECTION**
25 **SHALL NOT BE ALLOWED.**

26 (2) The sum of the credits under subsection (1) and section
27 13(2) shall not exceed an eligible company's liability for the tax

1 levied under this act in the tax year in which the credit is
2 claimed.

3 (3) An eligible company may apply for the credit under
4 subsection (1) by submitting to the state board of assessors an
5 application in the form prescribed by the state board of assessors.

6 (4) If the board determines that for any eligible company the
7 sum of the credits provided in this section and in section 13(2)
8 equals the eligible company's liability for the tax levied under
9 this act before application of the credits, the board may waive the
10 application requirement in subsection (3) and the reports and
11 statements required under sections 6, 7, 8, and 13. A waiver under
12 this subsection does not affect the board's powers under section 3.

13 (5) As used in this section:

14 (a) "Eligible company" means railroad companies, union station
15 and depot companies, sleeping car companies, express companies, car
16 loaning companies, stock car companies, refrigerator car companies,
17 fast freight line companies, and all other companies owning,
18 leasing, running, or operating any freight, stock, refrigerator, or
19 any other cars not the exclusive property of a railroad company
20 paying taxes upon its rolling stock under this act, over or upon
21 the line or lines of any railroad in this state.

22 (b) "Eligible expenses" means 1 or more of the following:

23 (i) Expenses incurred in this state to maintain or improve an
24 eligible company's qualified rolling stock.

25 (ii) Seventy-five percent of the expenses incurred in this
26 state for maintenance or improvement of rights-of-way, including
27 those items, except depreciation, in the official maintenance-of-

1 way and capital track accounts of the eligible company.

2 (c) "Qualified rolling stock" means any freight, stock,
3 refrigerator, or other railcars subject to the tax levied under
4 this act.