

# Legislative Analysis



## AMENDING SMALL BUSINESS EXEMPTION

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<http://www.house.mi.gov/hfa>

**Senate Bill 1060 (S-2) as passed by the Senate**  
**Sponsor: Sen. Mark Huizenga**

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

**Senate Bill 1061 (S-2) as passed by the Senate**  
**Sponsor: Sen. Kimberly LaSata**

**Senate Bill 1062 (S-2) as passed by the Senate**  
**Sponsor: Sen. Michael D. MacDonald**

**House Committee: Tax Policy**  
**Senate Committee: Finance**  
**Complete to 12-7-22**

### SUMMARY:

Senate Bill 1060 would amend the General Property Tax Act to revise the process for claiming the small business taxpayer personal property tax exemption and the reimbursement of local governments for the exemption. Senate Bills 1061 and 1062 would make complementary changes to the Michigan Trust Fund Act and the Use Tax Act, respectively.

Currently, the small business taxpayer personal property tax exemption can be claimed by taxpayers that own, lease, or possess *eligible personal property* with a combined true cash value of less than \$80,000 in a single local tax collecting unit by filing a statement with the local tax collecting unit. (Beginning December 31, 2022, the exemption is available to taxpayers with eligible personal property with a combined true cash value of less than \$180,000 in the local unit.) A taxpayer that claims the exemption is not required to file a statement of assessable property otherwise required by section 19 of the General Property Tax Act. A taxpayer does not need to file additional statements to continue to claim the exemption in subsequent years, but a taxpayer that is no longer eligible for the exemption must file a statement of recission with the local assessor.

*Eligible personal property* means property that meets the following criteria:

- It is industrial personal property or commercial personal property.
- The combined true cash value of all industrial personal property and commercial personal property in that local tax collecting unit owned by, leased to, or in the possession of the person claiming an exemption under this section or a related entity on December 31 of the immediately preceding year is less than \$80,000 (or, beginning December 31, 2022, is less than \$180,000).
- It is not leased to or used by a person that previously owned the property or a person that, directly or indirectly, controls, is controlled by, or is under common control with the person that previously owned the property.

**Senate Bill 1060** would make the following changes, effective December 31, 2022:

- Require taxpayers owning, leasing, or possessing eligible personal property with a combined true cash value of greater than \$80,000 and less than \$180,000 to annually

file the statement of assessable personal property with the local assessor and file a statement prescribed by the Department of Treasury attesting to the value of industrial and commercial personal property owned, leased, or possessed by the taxpayer or related entity in the local unit on December 31 of the immediately preceding year. (Taxpayers owning, leasing, or possessing eligible personal property with a combined true cash value of \$80,000 or less would still be subject to the current process for claiming an exemption.)

- Require the local assessor to file a summary of all exemptions granted for taxpayers with property valued between \$80,000 and \$180,000 each year, providing the data necessary to reimburse the municipality for lost revenue.
- Increase the interest rate for taxes for which an exemption was incorrectly claimed or a rescission of the exemption was not filed from 1% to 1.25% per month.
- Allow local assessors to deny a claim of exemption for the current year and the three immediately preceding years.

MCL 206.9o et seq.

**Senate Bill 1061** would amend the Michigan Trust Fund Act to create the Local Government Reimbursement Fund in the state treasury and to allow the Department of Treasury to expend the money to compensate municipalities, beginning May 31, 2024, for revenue lost under the small business taxpayer personal property exemption for property valued between \$80,000 and \$180,000 during the immediately preceding year.

Proposed MCL 12.253a

**Senate Bill 1062** would amend the Use Tax Act to require \$75.0 million in use tax revenue to be deposited into the Local Government Reimbursement Fund each fiscal year beginning with the fiscal year ending September 30, 2024.

MCL 205.111

The bills are tie-barred together, which means that none of them could take effect unless all of them were enacted.

#### **FISCAL IMPACT:**

As written, the bills would reduce use tax revenue accruing to the general fund by \$75.0 million and transfer that amount to the Local Government Reimbursement Fund, which will be used to reimburse local governments for losses resulting from increasing the small taxpayer exemption threshold from \$80,000 of true cash value to \$180,000.

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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.