

SPECIAL TOOLS EXEMPTION

House Bill 5244 (Substitute H-1)
Sponsor: Rep. Mary Ann Middaugh
Committee: Commerce

Senate Bill 811 as passed by the Senate
Sponsor: Sen. Nancy Cassis
Senate Committee: Commerce and Labor
House Committee: Commerce

Complete to 12-17-03

**A SUMMARY OF HOUSE BILL 5244 AND SENATE BILL 811 AS REPORTED FROM
THE HOUSE COMMITTEE ON COMMERCE 12-17-03**

House Bill 5244 and Senate Bill 811 would each amend the General Property Tax Act to redefine the term “special tool” for the purpose of the exemption in the act granted to special tools. The two bills are virtually identical.

Currently, the act essentially authorizes the State Tax Commission to define those “manufacturing requisites” that qualify (such as dies, jigs, fixtures, molds, patterns, gauges, or other tools). The new definition of “special tool” would be: a finished or unfinished device such as a die, jig, fixture, mold, pattern, special gauge, or similar device that is used, or is being prepared for use, to manufacture a product and that cannot be used to manufacture another product without substantial modification of the device. (The term “product” would be defined to mean an item of tangible personal property that is directly created or produced through the manufacturing process. A product could be any of the following: a part, a special tool, a component, a sub-assembly, or completed goods available for sale or lease in wholesale or retail trade.)

Under the bills, the length of the economic life of the product being manufactured could not be considered in making a determination whether a device used to manufacture that product is a special tool. Special tools would not include a device that differs in character from dies, jigs, fixtures, molds, patterns, or special gauges; standard tools; or machinery or equipment, even if customized, and even if used in conjunction with special tools or standard tools.

As noted earlier, a special tool is exempt from taxation under the General Property Tax Act. The bills would require a person claiming an exemption to include in the required listing of personal property with the local assessor (known as a personal property tax statement) any special tool for which an exemption is claimed, indicating that the special tool is exempt.

The bills also contain a definition of the term “standard tool”, which would be defined to refer to a die, jig, fixture, mold, pattern, gauge, or other tool that is not a special tool. The term would not include machinery or equipment, even if customized, and even if used in conjunction with special tools or standard tools. The bills would further specify that, for purposes of the required statement of personal property, the true cash value of a standard tool is the net book

value of that standard tool as of December 31 in each tax year as determined using generally accepted accounting principles in a manner consistent with the established depreciation method used by the person submitting the statement. The net book value of a standard tool for federal income tax purposes would not be the presumptive true cash value of that standard tool.

MCL 211.9b and 211.27

FISCAL IMPLICATIONS:

The House Fiscal Agency has said of Senate Bill 811 (which is virtually identical to the substitute H-1 version of House Bill 5244) that the bill would have a minimal fiscal impact on state and local property tax revenue. The bill would put language in the General Property Tax Act that conforms to court decisions and current practice. (HFA analysis dated 12-16-03)

POSITIONS:

The Michigan Department of Treasury indicated support for the bills to the House Committee on Commerce. (12-17-03)

The Michigan Manufacturers Association testified in support of the bills. (12-17-03)

The Michigan Association of Counties testified in opposition to the bills. (12-17-03)

The Michigan Municipal League testified in opposition to the bills. (12-17-03)

The Michigan Townships Association has indicated opposition to the bills. (12-17-03)

Analyst: C. Couch

■This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.