

## **MMA Supports Senate Bill 807 (S-1) (MacDonald) House Tax Policy Committee**

Mr. Chairman and Committee Members,

I am Mike Johnston, Vice President of Government Affairs at MMA. Thank you for the opportunity to be here today to offer our support for Senate Bill 807 (S-1) to help ensure all manufacturers get the statutory exemption for manufacturing personal property. Mr. Chair, I am again bringing you a solution to a PPT challenge that enjoys broad support, including that of our friends at Treasury.

I have with me today Lynn Gandhi, a partner at Foley & Larder who represents an MMA member and has previously testified in this committee.

This bill addresses a COVID-related challenge regarding manufacturers claiming their PPT exemptions with local units of government last year. In the summer of 2021, we learned that companies around the state had trouble filing and getting approved for their industrial personal property tax exemption. The stories varied, but they all involved COVID-related difficulties in coordinating with local units of government to file their exemption or get approved by the local March Boards of Review. As companies had already filed before the pandemic in 2020, 2021 was the first tax year impacted by COVID.

We also became aware of a letter written by the City of Sterling Heights (attached), which was sent to Representative Farrington, Senator MacDonald, Representative Shannon, and Kyle Ten Broeke at Treasury. The city's letter indicated they were aware of fifteen businesses that had trouble getting their exemption and asked the Legislature to consider a legislative fix. The letter points out just two companies would owe over \$1 million more than they would have paid in the Essential Services Assessment if they were exempt.

We became concerned because companies had been successfully claiming their exemption since 2016. However, when the COVID-19 pandemic required community and company staff to work remotely, several small companies were hit with massive unexpected tax bills in the hundreds of thousands of dollars. Many of these companies had to borrow money to pay these unanticipated tax bills.

Before issues could be resolved locally or legislatively, the Local Community Stabilization Authority implemented the reimbursement formula for 2021 to reimburse local units of government. So, local units were reasonably concerned that even if they resolved these outstanding issues, they might not get reimbursed for those claims.

We worked closely with Treasury, local units of government and Senator MacDonald's office to find a solution. Treasury actually proposed a solution to allow the State Tax Commission to review the outstanding applications, approve them and issue reimbursement checks to local units of government. The bill before you contains the statutory changes necessary to allow the solution. The solution also requires an appropriation, and a line item is included in the General Government Budget currently in conference.

Mr. Chairman, with your permission, I will hand it over to Lynn Gandhi to describe her client's experience.