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For-profit educational institution gets personal property tax exemption

FACTS:

SBC Health Midwest, a for-profit corporation, operates a college in Kentwood, Michigan. It requested a tax exemption for personal property used to operate the college as an educational institution under MCL 211.9(1)(a): The following personal property, and real property described in subdivision (j)(i), is exempt from taxation: (a) The personal property of charitable, educational, and scientific institutions incorporated under the laws of this state.

Kentwood denied the request for the exemption since SBC was a for-profit entity. On appeal, the Tax Tribunal upheld the city's decision on the basis that granting an exemption to a for-profit corporation would conflict with other statutory tax exemption provisions for educational institutions, most notably MCL 211.7n which provides an exemption for real or personal property owned and occupied by a nonprofit educational institution. The city also relied upon language in the Michigan Constitution which authorizes a tax exemption from real and personal property taxes of nonprofit educational organizations. Const 1963, art 9, sect 4. [Emphases supplied]

QUESTION:

Must an educational institution seeking a personal property tax exemption under MCL 211.9(1)(a) be a nonprofit entity, in keeping with other tax exempt provisions relating to educational institutions?

ANSWER ACCORDING TO THE TRIAL COURT AND THE MICHIGAN COURT OF APPEALS:

NO. The Supreme Court began its analysis by noting that under the General Property Tax Act, "all property, real and personal, within the jurisdiction of this state, not expressly exempted, shall be subject to taxation." It further noted that tax exemptions are to be narrowly or strictly construed in favor of the government, but not necessarily permitting a strained construction contrary to the Legislature's intent. The Court examined the language of the MCL 211.9(1)(a) and found that the language was clear and unambiguous, from which the Court assumed that the Legislature intended its plain meaning and enforced as written. The Court also stated that another corollary of statutory interpretation does not permit a court to read language into a statute that is unambiguous. Accordingly, the Court refused to write a nonprofit requirement into the applicable portion of MCL 211.9(1)(a).

SBC Health Midwest, Inc. v City of Kentwood, No. 151524 (May 1, 2017)

The Michigan Municipal League participated as an amicus curiae in the case.

Upcoming League Events

You Need to Know:

Medical Marijuana in Your Community

Sept. 26 – Novi

Oct. 3 – Kalamazoo

For more details, visit www.mml.org/calendar.htm.

Community Expo & Seminar

Oct. 26 – Mt Pleasant

This inaugural event is designed to bring League members and vendors together in an interactive, educational format.

Stay tuned for more details.



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