For immediate release

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Hearing on ‘Dark Stores’ measure shows need for bill’s adoption to restore fairness, transparency to property assessments

LANACING, MICH. — A “fair and equitable” property tax system would be the result of legislation presented to the House Tax Policy Committee, representatives of local government groups said today.

House Bill 5578, sponsored by Rep. Dave Maturen and co-sponsored by 27 of his House colleagues, would put into law valuation procedures that ensure the Michigan Tax Tribunal assesses commercial property at its “highest and best use,” thereby putting an end to the “Dark Stores” valuation loophole.

Starting in about 2013, “Big Box” retailers — Home Depot, Menards, Target, etc. — convinced the Michigan Tax Tribunal to deviate from traditional practice in valuing property and rely on the “sales approach.” Under this theory of valuation, an operating store’s value is built off comparable structures — even if said structures are vacant. Dark Stores appeals have distorted Michigan’s property tax system, with Big Box retailers in our state enjoying per square foot values of about $20, regardless of the size of the store or the type of products being sold — far less than smaller, local businesses or Big Box retailers in other states.

The “Dark Stores” problem is spreading beyond the Big Box stores, with fast food restaurants, auto parts stores and national, chain pharmacies now seeking to exploit the same loophole — at the expense of other local government taxpayers.

Maturen’s bill would prevent the inappropriate use of deed restrictions and unreasonable comparable sales, while establishing a fair and equitable system to resolve disputes. HB 5578 also is consistent with state law defining a property’s “true cash value,” clearing a hurdle that had stopped previous legislative attempts to close the loophole.

Groups representing local governments dedicated to providing key public services praised Maturen’s measure.

“Maturen has used his experience as the only professional real estate appraiser in the Legislature and as a county commissioner to craft a direct and fair solution,” said Steve Currie, deputy director for the Michigan Association of Counties.
“This issue is about far more than the lost tax revenues for local government services — money that could be spent on fire protection, roads or economic development. This is about ensuring that all taxpayers pay their fair share and that all properties are being properly assessed,” added Judy Allen, director of government relations for the Michigan Townships Association.

“This is about shared responsibility for the services we all rely on,” explained Chris Hackbarth, director of state affairs. “With Dark Stores appeals, the loss of revenue has shifted the burden for providing local services from large corporations to Main Street businesses and homeowners. Rep. Maturen’s bill would block such future shifts.”

The House Tax Policy Committee is expected to take additional testimony on HB 5578 prior to voting on the measure in May.

For more information:

Michigan Municipal League: www.mml.org
Michigan Townships Association: www.michigantownships.org
Michigan Association of Counties: www.micounties.org

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RESOLUTION OF SUPPORT FOR

HOUSE BILL 5578 - DARK STORE BILL

Because, Big Box Stores are taking advantage of loopholes in the taxable value appraisal process, by having their stores compared to closed, vacant properties for the purposes of establishing their value, known as the “Dark Store Tax Loophole”; and

Because, this loophole has cost more than $75 million in local taxes that cities, counties, townships and school districts would have otherwise been used to provide essential government services and public education, according to the Michigan Association of County Treasurers; and

Because, the City Commission for the City of Traverse City recognizes that, in addition to blowing holes in Michigan local government and local school district budgets, the “Dark Store assessments” are creating tax advantages for big retailers over other businesses; and

Because, a study of property taxes in Oakland County shows Big Box stores are paying much less than smaller competitors, with the big box retail rate in Oakland County essentially being half the average retail rate; and

Because, leveraging common sense and fairness, the property value of a store that is open for business should not be influenced by a store that is closed for business and is vacant;

Because, the City of Traverse City, and every municipality in the State of Michigan relies heavily on property tax revenue to fund local government services and;

Because, it is vital that the loophole that exists for big box stores or dark stores, be closed to ensure equitable taxes for all uses; now, therefore, be it

RESOLVED, that the City Commission of the City of Traverse City supports House Bill 5578 in its efforts to work towards applying universally accepted appraisal standards when deciding larger property tax appeal cases; and that the City Clerk submit this resolution on behalf of the City Commission to the Governor of Michigan and the appropriate parties in the Michigan legislature.
I hereby certify that the above Resolution was adopted by the Traverse City City Commission at its regular meeting of May 2, 2016, in the Commission Chambers, Governmental Center, 400 Boardman Avenue, Traverse City, Michigan.

Benjamin C. Marentette, MMC
City Clerk