MICHIGAN SUPREME COURT

DaimlerChrysler Corporation v. State Tax Commission

DaimlerChrysler · No. Nos. 133394, 133396, 133400-133402, 133403-133406 · Decided July 30, 2008

SUMMARY

The Michigan Supreme Court addresses whether motor-vehicle manufacturers' emissions-testing test cells and an engine production line qualify for Michigan tax exemptions for air-pollution-control facilities under Part 59 of the Natural Resources and Environmental Protection Act. The Court holds that qualifying equipment must be installed or acquired primarily to control or dispose of air pollution and must actually and physically control, capture, and remove pollutants. It reverses the Court of Appeals as to the test cells, reinstates the State Tax Commission's denials, and affirms the denial concerning Detroit Diesel's engine line and the rejection of its due-process claim.

CASE DETAILS

COURT	Michigan Supreme Court
WRITING FOR THE COURT	Robert P. Young, Jr.; Clifford W. Taylor; Michael F. Cavanagh; Elizabeth A. Weaver; Marilyn Kelly; Maura D. Corrigan; Stephen J. Markman
JURISDICTION	Michigan
DECIDED	July 30, 2008
DOCKET	Nos. 133394, 133396, 133400-133402, 133403-133406
DISPOSITION	other
PROCEDURAL POSTURE	Consolidated appeals and cross-appeals from Court of Appeals decisions concerning tax exemptions for air-pollution-control facilities under part 59 of the Natural Resources and Environmental Protection Act.
STANDARD OF REVIEW	De novo review of summary disposition and statutory-construction issues; administrative agency decisions are reviewed for authorization by law and support by competent, material, and substantial evidence on the whole record.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	City of Auburn Hills, City of Dearborn, State Tax Commission, Department of Environmental Quality, Township of Sylvan v.

DaimlerChrysler Corporation, Ford Motor Company, Detroit Diesel Corporation

TOPICS

tax | environmental law | statutory interpretation | administrative law

PRACTICE AREAS

tax law | environmental law | administrative law | appellate procedure

QUESTIONS PRESENTED

1. Whether the manufacturers' emissions test cells qualified as tax-exempt facilities under MCL 324.5901 and MCL 324.5903.
2. Whether Detroit Diesel's Equinox engine-production line qualified as a tax-exempt facility under part 59 of the Natural Resources and Environmental Protection Act.
3. Whether the State Tax Commission's hearing process denied Detroit Diesel due process.

HOLDINGS

1. The test cells do not qualify for the part 59 tax exemption because they were primarily used to test engines and vehicles for regulatory compliance, rather than to control or dispose of air pollution, and they did not themselves physically control, capture, and remove pollutants from the air.
2. The Equinox Line does not qualify for a part 59 tax exemption because its primary purpose was manufacturing engines for sale, not controlling or disposing of air pollution.
3. Detroit Diesel received due process because it received notice and a full hearing at which it could present evidence and legal arguments, and the Department of Environmental Quality considered the information developed at the hearing.

KEY QUOTATIONS

> *“Based on the plain language of the statute, we hold that in order to for equipment to be exempt, it must be installed or acquired for the primary purpose of regulating or curbing the spread of pollution in Michigan. Further, the equipment must actually and physically limit pollution.”* (3-4)

> *“Therefore, we reverse the Court of Appeals and reinstate the STC’s decision denying petitioners’ request for tax exemptions for their test cells. However, we affirm the Court of Appeals holding that the Detroit Diesel Equinox Line was not entitled to a tax exemption and that Detroit Diesel received due process.”* (19)

FACTUAL BACKGROUND

Ford Motor Company, DaimlerChrysler Corporation, and Detroit Diesel Corporation installed test cells to test vehicle and engine emissions and ensure compliance with federal emissions standards. The test cells generated and released some emissions during testing, and their primary operational function was testing engines or vehicles rather than physically removing pollutants from the air. Detroit Diesel also installed an Equinox engine-production line to manufacture engines meeting newer federal emissions standards.

PROCEDURAL HISTORY

The State Tax Commission denied tax-exemption applications for manufacturers' test cells and for Detroit Diesel's Equinox engine-production line after the Department of Environmental Quality determined that the equipment did not qualify under part 59. Various circuit courts reached differing results. The Court of Appeals consolidated the appeals, held that the test cells qualified for exemption, held that the Equinox Line did not qualify, and rejected Detroit Diesel's due-process challenge. The Michigan Supreme Court reversed the Court of Appeals as to the test cells, reinstated the agency denials, affirmed the denial of an exemption for the Equinox Line, and affirmed the rejection of the due-process claim.

DISPOSITION

other

CASES CITED

- Spiek v. Dep't of Transportation, 456 Mich. 331, 337, 572 N.W.2d 201 (1998)
- City of Taylor v. Detroit Edison Co., 475 Mich. 109, 115, 715 N.W.2d 28 (2006)
- Ford Motor Co. v. State Tax Comm'n, 274 Mich. App. 108, 732 N.W.2d 591 (2007)
- Covert Twp. Assessor v. State Tax Comm'n, 407 Mich. 561, 287 N.W.2d 895 (1980)
- Meijer, Inc. v. State Tax Comm'n, 66 Mich. App. 280, 238 N.W.2d 582 (1975)
- Grimes v. Dep't of Transportation, 475 Mich. 72, 89, 715 N.W.2d 275 (2006)
- Wexford Med. Group v. City of Cadillac, 474 Mich. 192, 207, 713 N.W.2d 734 (2006)
- Elias Bros. Restaurants, Inc. v. Treasury Dep't, 452 Mich. 144, 150, 549 N.W.2d 837 (1996)
- East Saginaw Mfg. Co. v. East Saginaw, 19 Mich. 259, 279 (1869)
- Michigan United Conservation Clubs v. Lansing Twp., 423 Mich. 661, 664, 378 N.W.2d 737 (1985)
- Elias Bros. Restaurants, Inc. v. Treasury Dep't, 452 Mich. 144, 150, 549 N.W.2d 837 (1996)
- Ayar v. Foodland Distributors, 472 Mich. 713, 715-716, 698 N.W.2d 875 (2005)
- Catalina Marketing Sales Corp. v. Department of Treasury, 470 Mich. 13, 23-24, 678 N.W.2d 619 (2004)
- Reed v. Hurley Medical Center, 153 Mich. App. 71, 75, 395 N.W.2d 12 (1986)
- Department of Community Health v. Risch, 274 Mich. App. 365, 372-373, 733 N.W.2d 403 (2007)
- Sun Valley Foods Co. v. Ward, 460 Mich. 230, 237, 596 N.W.2d 119 (1999)
- By Lo Oil Co. v. Department of Treasury, 267 Mich. App. 19, 29, 703 N.W.2d 822 (2005)