MICHIGAN SUPREME COURT

DaimlerChrysler Corporation, Ford Motor Company, and Detroit Diesel Corporation v. State Tax Commission and Department of Environmental Quality

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

SUMMARY

The Michigan Supreme Court considered consolidated appeals concerning tax exemptions for motor-vehicle emissions test cells and an engine production line under Part 59 of Michigan's Natural Resources and Environmental Protection Act. The Court held that qualifying equipment must have the primary purpose of controlling or disposing of air pollution and must actually and physically control, capture, and remove pollutants. It reversed the Court of Appeals in part, reinstated the denial of exemptions for the test cells, and affirmed the denial for Detroit Diesel's engine line and the rejection of a due-process challenge.

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 a published Michigan Court of Appeals decision concerning tax-exemption certificates 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; administrative decisions are reviewed for authorization by law and support by competent, material, and substantial evidence on the whole record.

PRECEDENTIAL VALUE	Published Michigan Supreme Court opinion; binding precedent in Michigan.
PARTIES	City of Auburn Hills, City of Dearborn, State Tax Commission, Department of Environmental Quality v. DaimlerChrysler Corporation, Ford Motor Company, Detroit Diesel Corporation, City of Auburn Hills, City of Dearborn, Charter Township of Redford, Township of Sylvan

TOPICS

property tax · environmental law · statutory interpretation · judicial review of agency action

PRACTICE AREAS

state and local tax · environmental law · administrative law · statutory interpretation · appellate procedure

QUESTIONS PRESENTED

1. Whether vehicle and engine emissions test cells qualify as tax-exempt air-pollution-control facilities under MCL 324.5901 and MCL 324.5903.
2. Whether Detroit Diesel's Equinox engine production line qualifies for a part 59 tax exemption.
3. Whether the State Tax Commission's hearing process violated Detroit Diesel's due-process rights.

HOLDINGS

1. The test cells do not qualify as facilities because they were installed or acquired primarily to test engines and vehicles for compliance with federal regulations, not primarily to control or dispose of air pollution.
2. The test cells do not satisfy MCL 324.5903 because they are not designed and operated primarily to control, capture, and remove pollutants from the air and do not physically perform those functions.
3. The Equinox engine production 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.
4. Detroit Diesel received due process because it was given notice and a full opportunity to present evidence and legal arguments at a hearing before an impartial decisionmaking process.

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.”* (at 4)

> *“Because the statutory language requires the facility to do the removing, controlling, and capturing of pollution, this equipment does not qualify.”* (at 10)

> *“The DEQ properly applied §§ 5901 and 5903 and concluded that the test cells do not qualify for a tax exemption.”* (at 20)

FACTUAL BACKGROUND

Ford, DaimlerChrysler, and Detroit Diesel installed test-cell facilities to conduct federally required emissions testing on vehicles and engines before production and sale. The test cells measured emissions to determine compliance with federal standards but also generated and released some pollution during testing. Detroit Diesel separately installed an Equinox engine production line to manufacture engines complying with newer federal emissions standards. The DEQ and STC concluded that the equipment's primary purposes were testing or manufacturing rather than controlling or disposing of air pollution and denied the requested exemptions.

PROCEDURAL HISTORY

The State Tax Commission denied the petitioners' applications for tax exemptions for vehicle and engine test cells and, for Detroit Diesel, an engine production line. The petitioners appealed to circuit courts, which reached differing results. The Court of Appeals consolidated the appeals, held that the test cells qualified for the exemption, affirmed denial of the exemption for Detroit Diesel's engine line, and rejected Detroit Diesel's due-process claim. The Michigan Supreme Court reversed the Court of Appeals as to the test cells, reinstated the DEQ and STC denials, affirmed denial of the exemption for the engine 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 NW2d 201 (1998)
- City of Taylor v Detroit Edison Co, 475 Mich 109, 115; 715 NW2d 28 (2006)
- Ford Motor Co v State Tax Comm, 274 Mich App 108, 113, 118; 732 NW2d 591 (2007)
- Covert Twp Assessor v State Tax Comm, 407 Mich 561; 287 NW2d 895 (1980)
- Meijer, Inc v State Tax Comm, 66 Mich App 280; 238 NW2d 582 (1975)
- Wexford Medical Group v City of Cadillac, 474 Mich 192, 207; 713 NW2d 734 (2006)
- Grimes v Dep’t of Transportation, 475 Mich 72, 89; 715 NW2d 275 (2006)
- Elias Bros Restaurants, Inc v Treasury Dep’t, 452 Mich 144, 150; 549 NW2d 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 NW2d 737 (1985)
- Ayar v Foodland Distributors, 472 Mich 713, 715-716; 698 NW2d 875 (2005)
- Catalina Marketing Sales Corp v Dep’t of Treasury, 470 Mich 13, 23-24; 678 NW2d 619 (2004)
- By Lo Oil Co v Dep’t of Treasury, 267 Mich App 19, 29; 703 NW2d 822 (2005)
- Sun Valley Foods Co v Ward, 460 Mich 230, 237; 596 NW2d 119 (1999)
- Reed v Hurley Medical Ctr, 153 Mich App 71, 75; 395 NW2d 12 (1986)
- Dep’t of Community Health v Risch, 274 Mich App 365, 372-373; 733 NW2d 403 (2007)