MICHIGAN SUPREME COURT

Ford Motor Company v. State Tax Commission

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

SUMMARY

The Michigan Supreme Court considered whether automobile manufacturers' engine and vehicle test cells, and an engine production line, qualified for Michigan tax exemptions for air pollution control facilities under Part 59 of the Natural Resources and Environmental Protection Act. The Court held 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 reversed the Court of Appeals as to the test cells, reinstated the denial of the exemptions, and affirmed the denial for 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-appeal from circuit-court and Michigan Court of Appeals decisions concerning applications for Michigan air-pollution-control tax exemptions under part 59 of the Natural Resources and Environmental Protection Act. The Michigan Supreme Court reviewed the Court of Appeals' published decision and the State Tax Commission and Department of Environmental Quality determinations.
STANDARD OF REVIEW	De novo review of summary disposition and statutory-construction issues. Administrative decisions were reviewed for authorization by law and support by competent, material, and substantial evidence on the whole record.
PRECEDENTIAL VALUE	published and precedential

PARTIES	City of Auburn Hills, City of Dearborn, State Tax Commission, Department of Environmental Quality, Detroit Diesel Corporation, as cross-appellant v. DaimlerChrysler Corporation, Ford Motor Company, Detroit Diesel Corporation, State Tax Commission, Department of Environmental Quality, City of Dearborn, Charter Township of Redford, Township of Sylvan, City of Auburn Hills

TOPICS

property tax · tax · clean air act · statutory interpretation · administrative law

PRACTICE AREAS

tax · environmental law · administrative law · appellate procedure

QUESTIONS PRESENTED

1. Whether the petitioners' test-cell facilities qualified as tax-exempt facilities under MCL 324.5901 and MCL 324.5903.
2. Whether the test cells had to physically and directly control, capture, and remove air pollutants, rather than merely facilitate the production of less-polluting engines and vehicles.
3. Whether Detroit Diesel's Equinox engine-production line qualified for the part 59 tax exemption.
4. Whether the State Tax Commission's hearing process deprived Detroit Diesel of due process.

HOLDINGS

1. The test cells did not qualify because they were not installed or acquired for the primary purpose of controlling or disposing of air pollution; their primary purpose was to test engines and vehicles for compliance with federal standards.
2. The test cells did not satisfy MCL 324.5903 because they were not designed and operated primarily for the actual control, capture, and removal of pollutants from the air.
3. The test cells did not meet the intent and purposes of part 55 because part 55 regulates pollution from stationary sources and processes, while the test cells did not affect air pollution from a qualifying stationary source or process.
4. The Equinox Line did not qualify for a part 59 tax exemption because its primary purpose was manufacturing engines for sale, not controlling or disposing of air pollution.
5. Detroit Diesel received due process because it had notice and a full opportunity to present evidence and legal argument 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."*
> (4)

> *"Further, the equipment must actually and physically limit pollution."* (4)

> *"Because the statutory language requires the facility to do the removing, controlling, and capturing, and the test cells and the pollution testing equipment in the engine plant do not remove, control, or capture pollutants, this equipment does not qualify for the tax exemption."* (12)

FACTUAL BACKGROUND

Ford Motor Company, DaimlerChrysler Corporation, and Detroit Diesel Corporation installed test-cell facilities to test vehicle and engine emissions and ensure compliance with federal Environmental Protection Agency standards. The test cells replicated testing conditions, collected emissions data, and released tested emissions; they were used as part of the manufacturers' product-development and manufacturing processes. Detroit Diesel also installed an Equinox engine-production line designed to manufacture engines meeting newer federal emissions standards. The DEQ and State Tax Commission concluded that the equipment's primary purposes were testing or manufacturing rather than controlling or disposing of air pollution and that the equipment did not physically control, capture, or remove pollution.

PROCEDURAL HISTORY

The DEQ determined that the petitioners' test cells and Detroit Diesel's Equinox engine-production line did not qualify for part 59 tax exemptions, and the State Tax Commission denied the applications. Various circuit courts reached differing conclusions: Ford obtained reversals of its denials, while DaimlerChrysler and Detroit Diesel generally did not. The Court of Appeals consolidated the appeals, held that the test cells qualified but the Equinox Line did not, and rejected Detroit Diesel's due-process challenge. The Michigan Supreme Court reversed the Court of Appeals as to the test cells, affirmed as to the Equinox Line and due process, and reinstated the administrative denials.

DISPOSITION

other

REMAND INSTRUCTIONS

None stated. The Court reversed the Court of Appeals insofar as it held that the test cells qualified, reinstated the DEQ and State Tax Commission decisions denying the test-cell exemptions, and affirmed the denial of the Equinox Line exemption and the rejection of Detroit Diesel's due-process claim.

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)
- 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)
- 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)
- DaimlerChrysler Corp v State Tax Comm, 480 Mich 880 (2007)