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City of Sterling Heights v. Chrysler Group, L.L.C.

Court of Appeals of Michigan - March 19, 2015 - N.W.2d - 2015 WL 1258090

On June 15, 2012, Chrysler filed two petitions for air pollution control tax exemption certificates with the Michigan Department of Treasury.

In December 2012, the Tax Commission held a hearing on Chrysler's petitions. At the hearing, the City of Sterling Heights contended that Chrysler's painting building did not qualify for exemptions because it served the primary purpose of painting vehicles rather than removing air pollution. Chrysler responded that it could seek exemptions for those portions of the building that did serve the primary purpose of air pollution control. The Commission declined to refer the petitions to the Michigan Department of Environmental Quality (MDEQ), and it granted the air pollution control certificates in the full amounts.

Sterling Heights appealed to the circuit court. The parties reiterated the arguments that they raised before the Commission. The circuit court reversed and remanded. It reasoned that, because the Commission was required to submit the petition to the MDEQ but had failed to do so, its decision was not supported by competent, material, and substantial evidence. The circuit court required the Commission to refer the petitions to the MDEQ "for a technical evaluation." Chrysler appealed.

The Court of Appeals affirmed, holding that:

- Chrysler could seek an exemption certificate for parts of a structure, as long as the primary purpose of that part of the structure was pollution control;
- Chrysler was not entitled to rely on the MDEQ's list of preapproved facilities, as the list did not contain the specific equipment or parts of structures for which Chrysler sought exemption.