



**House
Legislative
Analysis
Section**

Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

REPEAL TAX BASE SHARING

**Senate Bill 838 as passed by the Senate
First Analysis (11-9-93)**

**Sponsor: Sen. Michael J. Bouchard
Senate Committee: Education
House Committee: Education**

THE APPARENT PROBLEM:

The 1993-94 school aid bill, Public Act 175 of 1993, contains a repeal of the tax base sharing program. Under that program, enacted by Public Act 108 of 1991, which amended the School Code, out-of-formula school districts were to share some portion of their business tax base growth (up to 50 percent, depending on a formula using adjusted gross income per pupil) with in-formula districts within one of two regions. Litigation prevented the program from operating, and funds intended for sharing were escrowed. The recent elimination of school operating property taxes by Public Act 145 of 1993 (Senate Bill 1), furthermore, has left no tax base for school districts to share. The School Code itself ought to be amended so that there can be no questions about the effectiveness of the repeal and escrowed funds can be returned.

THE CONTENT OF THE BILL:

The bill would amend the School Code to repeal provisions requiring the sharing of the growth in the commercial and industrial tax base of out-of-formula school districts. (Public Act 175 of 1993, which amended the State School Aid Act, contained a repeal of these provisions as well.)

MCL 380.751 et al.

FISCAL IMPLICATIONS:

According to the Senate Fiscal Agency (floor analysis dated 10-1-93), the bill would return about \$14 million to local school districts and \$8,148,532.12 to the state. The SFA reports that in fiscal year 1991-92, about \$22 million of business tax base growth was shared, but the money was held in escrow pending the outcome of litigation on the constitutionality of the program. The funds in escrow would be returned as provided in the State School Aid Act.

ARGUMENTS:

For:

The bill would repeal the tax base growth sharing program, under which certain school property taxes are shared. The current school operating property tax system has been eliminated, and a new school tax system is anticipated for the 1994-95 school year.

POSITIONS:

There are no positions on the bill.

Senate Bill 838 (11-9-93)