



# HOUSE BILL No. 5113

October 12, 1993, Introduced by Reps. Bullard, Bender, Bandstra, Munsell and Dalman and referred to the Committee on Taxation.

A bill to amend the title and sections 2, 3, 12, 13b, 14a, 15, 17, 17a, 18, and 21 of Act No. 140 of the Public Acts of 1971, entitled as amended "State revenue sharing act of 1971," section 3 as amended and section 21 as added by Act No. 275 of the Public Acts of 1980, section 12 as amended by Act No. 166 of the Public Acts of 1993, section 13b as added by Act No. 236 of the Public Acts of 1983, sections 17 and 17a as amended by Act No. 283 of the Public Acts of 1987, and section 18 as amended by Act No. 474 of the Public Acts of 1988, being sections 141.902, 141.903, 141.912, 141.913b, 141.914a, 141.915, 141.917, 141.917a, 141.918, and 141.921 of the Michigan Compiled Laws; and to repeal certain parts of the act.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. The title and sections 2, 3, 12, 13b, 14a, 15,  
2 17, 17a, 18, and 21 of Act No. 140 of the Public Acts of 1971,  
3 section 3 as amended and section 21 as added by Act No. 275 of  
4 the Public Acts of 1980, section 12 as amended by Act No. 166 of  
5 the Public Acts of 1993, section 13b as added by Act No. 236 of  
6 the Public Acts of 1983, sections 17 and 17a as amended by Act  
7 No. 283 of the Public Acts of 1987, and section 18 as amended by  
8 Act No. 474 of the Public Acts of 1988, being sections 141.902,  
9 141.903, 141.912, 141.913b, 141.914a, 141.915, 141.917, 141.917a,  
10 141.918, and 141.921 of the Michigan Compiled Laws, are amended  
11 to read as follows:

12

## TITLE

13 An act to provide for the distribution of certain state rev-  
14 enues to cities, villages, AND townships; ~~and counties;~~ and  
15 to impose certain duties and confer certain powers on this state,  
16 political subdivisions of this state, and the officers of both.

17 Sec. 2. ~~(1) "Intangibles tax" means the intangibles tax~~  
18 ~~imposed by Act No. 301 of the Public Acts of 1939, as amended,~~  
19 ~~being sections 205.131 to 205.147 of the Compiled Laws of 1948,~~  
20 ~~or any similar act.~~ (2) "Sales tax" means the sales tax imposed  
21 by THE GENERAL SALES TAX ACT, Act No. 167 of the Public Acts of  
22 1933, as amended, being sections 205.51 to 205.78 of the MICHIGAN  
23 Compiled Laws, ~~of 1948,~~ or any similar act.

24 ~~(3) "State income tax" means the income tax imposed by Act~~  
25 ~~No. 281 of the Public Acts of 1967, as amended, being sections~~

1 ~~206.1 to 206.499 of the Compiled Laws of 1948, or any similar~~  
2 ~~act.~~

3       Sec. 3. (1) "Population" for the purpose of distributing  
4 revenues among cities, villages, AND townships ~~and counties~~  
5 means population according to the last and each succeeding state-  
6 wide federal census, or a special statewide census as provided by  
7 law, whichever is later. Corrections to the statewide federal  
8 census that are published by the bureau of the census, United  
9 States department of commerce, and that occur during the period  
10 BEGINNING July 1, and ending June 30, shall become effective for  
11 the purpose of revenue distributions on the next July 1. Fifty  
12 percent of the total number of persons who are wards, patients,  
13 or convicts committed to or domiciled in a city, village, or  
14 township institution located outside the boundaries of the city,  
15 village, or township or committed to or domiciled in a county,  
16 state, or federal tax-supported institution, if the persons were  
17 included in the federal census, or any special census as provided  
18 by law, shall be excluded from the computation. The population  
19 of a township is its population outside the corporate limits of  
20 villages in the township. The population data used in determin-  
21 ing distributions under this act in a year in which a federal  
22 decennial statewide census, federal mid-decade statewide census,  
23 or special statewide census provided by law is conducted shall  
24 become effective for distributions made on and after October 1 of  
25 the year for which the respective census is conducted. Once the  
26 official population data from a federal decennial statewide  
27 census, federal mid-decade statewide census, or special statewide

1 census provided by law is certified and published, the department  
2 of management and budget shall calculate any overpayment or  
3 underpayment made to a local unit of government since the effec-  
4 tive date of the respective census and make adjustments in future  
5 distributions to the local unit of government to correct these  
6 overpayments or underpayments of revenue distributed pursuant to  
7 this act.

8 (2) "Rate" means a figure determined each May 15 by the  
9 department of management and budget pursuant to this act from  
10 applicable tax data for the IMMEDIATELY preceding calendar year  
11 as reported to it by the department of treasury and applicable to  
12 payments made during the IMMEDIATELY succeeding period of July 1  
13 to June 30.

14 Sec. 12. (1) The department of management and budget shall  
15 cause to be paid to each city, village, and township its share,  
16 computed on a per capita basis, during each August, November,  
17 February, and May, of the collections from the sales tax for the  
18 quarter periods ending the prior June 30, September 30, December  
19 31, and March 31 that are available for distribution to cities,  
20 villages, and townships.

21 (2) During each calendar year after 1992, the department of  
22 management and budget shall cause to be advanced and paid in June  
23 to cities, villages, and townships on a per capita basis  
24 \$9,500,000.00 of the amount that would otherwise be paid in  
25 August pursuant to subsection (1).

26 ~~(3) During June of each calendar year before 1993, the~~  
27 ~~department of management and budget shall cause to be paid on a~~

1 ~~per capita basis \$9,500,000.00 of the intangibles tax collections~~  
2 ~~to each city, village, or township levying at least 1 mill local~~  
3 ~~property tax in the preceding calendar year. During October of~~  
4 ~~each calendar year after 1992, the department of management and~~  
5 ~~budget shall cause to be paid on a per capita basis \$9,500,000.00~~  
6 ~~of the intangibles tax collections to each city, village, or~~  
7 ~~township levying at least 1 mill local property tax in the pre-~~  
8 ~~ceding calendar year. For the state fiscal year beginning~~  
9 ~~October 1, 1993, no payments shall be made under this~~  
10 ~~subsection.~~

11       Sec. 13b. (1) In addition to the amounts required to be  
12 paid pursuant to ~~sections 11,~~ SECTION 12, ~~and 13,~~ these  
13 ~~payments~~ THE PAYMENT and the respective appropriations from the  
14 undedicated proceeds of the tax from which the payment is made  
15 shall include interest, which ~~interest~~ shall accrue on the  
16 unpaid balance of a distribution installment from the last date  
17 the respective installment is required to be paid, at the average  
18 rate of interest earned on state common cash fund investments  
19 during the calendar quarter ending immediately ~~prior to~~  
20 PRECEDING the date the interest under this subsection on a dis-  
21 tribution installment begins to accrue.

22       (2) A payment required to be made pursuant to section ~~11,~~  
23 12 ~~, or 13~~ shall not be delayed so as to cause interest to  
24 accrue pursuant to subsection (1) unless the delay in ~~any~~ THE  
25 payment is authorized by a written directive issued and signed by  
26 the governor to the director of the department of management and  
27 budget and the state treasurer, containing an identification of

1 the specific payment and amount of the payment to be delayed, the  
2 period of the delay, the reason for the delay, and the date the  
3 delayed payment is expected to be paid.

4 (3) The governor's authorization under subsection (2) shall  
5 be signed and issued as soon as the governor determines that the  
6 payment will be delayed, which determination shall be made as far  
7 in advance of the scheduled payment date as is reasonably possi-  
8 ble under the circumstances. The state treasurer immediately  
9 shall take such steps as are reasonably necessary to assure that  
10 the local units for which a directive applies are notified of  
11 that gubernatorial directive.

12 (4) Amounts required to be paid pursuant to section ~~11,~~ 12  
13 ~~, or 13~~ that are subject to an unavoidable delay of a de mini-  
14 mis period, ~~or that~~ are withheld or set off pursuant to law in  
15 the settlement or adjustment ~~or~~ OF an obligation or debt due to  
16 this state, or ~~that~~ are withheld from payment pursuant to sec-  
17 tion 17a or 21, shall not be subject to subsections (1) to (3).

18 (5) The state treasurer may make a disbursement for a pay-  
19 ment under section ~~11,~~ 12 ~~, or 13~~ which has been delayed in  
20 advance of the date the delayed payment is expected to be paid.

21 Sec. 14a. If a special census of a city, village, or town-  
22 ship that levied at least 1 mill local property tax in the  
23 IMMEDIATELY preceding calendar year is determined to meet the  
24 requirements of section 7, the department of management and  
25 budget, during July, 1976 and each July thereafter, shall cause  
26 to be paid as a supplemental payment to the city, village, or  
27 township its proportionate share of the amount available for this

1 purpose, the share to be determined by multiplying the aggregate  
 2 per capita amount of payments ~~it~~ THE CITY, VILLAGE, OR TOWNSHIP  
 3 received under sections 12 ~~, 13, 14~~ and 15 for the IMMEDIATELY  
 4 preceding July 1 to June 30 payment period by its excess increase  
 5 in population determined under section 7. The amount necessary  
 6 to provide the distribution required by this section is appropri-  
 7 ated each fiscal year from the state general fund.

8       Sec. 15. (1) If a city, village, or township would be paid  
 9 less than \$17.00 per capita during any period from July 1 to June  
 10 30 from the revenue distributed under ~~sections~~ SECTION 12, ~~and~~  
 11 ~~13, and payments under section 14,~~ an additional sum necessary  
 12 to provide a total of \$17.00 per capita shall be paid.

13       (2) Beginning July 1, 1975, if a city, village, or township  
 14 that levied the following local property tax mills in the calen-  
 15 dar year IMMEDIATELY preceding a July 1 to June 30 payment period  
 16 would be paid less than the following corresponding totals per  
 17 capita during any period from July 1 to June 30 from the revenues  
 18 distributed under ~~sections~~ SECTION 12, ~~and 13, and payments~~  
 19 ~~under section 14,~~ an additional sum necessary to provide ~~such~~  
 20 THE totals per capita shall be paid:

21	Local Property Tax Mills	Per Capita Payments
22	At least 1.0, but less than 1.5	\$20.50
23	At least 1.5, but less than 2.0	\$21.00
24	At least 2.0, but less than 2.5	\$21.50
25	At least 2.5, but less than 3.0	\$22.00

1	At least 3.0, but less than 3.5	\$22.50
2	At least 3.5, but less than 4.0	\$23.00
3	At least 4.0, but less than 4.5	\$23.50
4	At least 4.5, but less than 5.0	\$24.00
5	At least 5.0, but less than 5.5	\$24.50
6	At least 5.5 or more	\$25.00

7 (3) ~~Beginning July 1, 1976 the~~ THE per capita payments  
8 listed in subsection (2) shall be increased ~~\$.50~~ \$1.50 per  
9 capita ~~and beginning July 1, 1977 and~~ FOR each ~~July 1 thereaf-~~  
10 ~~ter, a further increase of \$1.00 per capita during that and each~~  
11 ~~subsequent~~ July 1 to June 30 payment period ~~shall be added~~  
12 BEGINNING JULY 1, 1977.

13 (4) The additional sum necessary to provide the distribution  
14 required by this section is appropriated each fiscal year from  
15 the state general fund.

16 Sec. 17. Unless otherwise assigned, pledged, or required to  
17 be withheld, the payments made under this act to a city, village,  
18 OR township ~~, or county~~ shall be paid directly to the treasurer  
19 of the city, village, OR township, ~~or county,~~ shall be credited  
20 to the general fund of the city, village, OR township, ~~or~~  
21 ~~county,~~ and shall be available for city, village, OR township ~~or~~  
22 ~~or county~~ purposes.

23 Sec. 17a. (1) To the extent required by the emergency  
24 municipal loan act, Act No. 243 of the Public Acts of 1980, being  
25 sections 141.931 to 141.942 of the Michigan Compiled Laws, a  
26 municipality granted a loan pursuant to ~~the emergency municipal~~  
27 ~~loan act, Act No. 243 of the Public Acts of 1980,~~ THAT ACT shall

1 have withheld from any payment the city, village, OR township ~~or~~  
2 ~~or county~~ is eligible to receive, an amount equivalent to any  
3 delinquent payments due on the loan.

4 (2) The state treasurer may withhold all or part of any pay-  
5 ment that a city, village, OR township ~~, or county~~ is eligible  
6 to receive under this act to the extent the withholdings are a  
7 component part of a plan, developed and implemented pursuant to  
8 chapter IX of the municipal finance act, Act No. 202 of the  
9 Public Acts of 1943, being sections 139.1 to 139.3 of the  
10 Michigan Compiled Laws, for financing an outstanding obligation  
11 upon which the municipality defaulted. Amounts withheld shall be  
12 used to pay, on behalf of the city, village, OR township, ~~or~~  
13 ~~county~~, unpaid amounts or subsequently due amounts, or both, of  
14 principal and interest on the outstanding obligation upon which  
15 the city, village, OR township ~~, or county~~ defaulted.

16 (3) The state treasurer may withhold all or part of any pay-  
17 ment that a city or village is eligible to receive under this  
18 act, after payment of all money owing to the city or village  
19 under this act which, prior to the date of a withholding under  
20 this subsection, has been pledged for the payment of debt service  
21 on bonds or notes or for the payment of contractual obligations  
22 pledged for the payment of debt service on bonds or notes, in an  
23 amount necessary to repay loans made to the city or village pur-  
24 suant to section 11(6) of Act No. 51 of the Public Acts of 1951,  
25 being section 247.661 of the Michigan Compiled Laws, after any  
26 deduction authorized by section 11(8) of Act No. 51 of the Public  
27 Acts of 1951 has been applied for the repayment of the loan.

1 (4) Under an agreement entered into by a city, village, OR  
2 township ~~, or county~~ assigning all or a portion of the payment  
3 that it is eligible to receive under this act to the Michigan  
4 municipal bond authority or pledging that amount for payment of  
5 an obligation ~~it~~ THE CITY, VILLAGE, OR TOWNSHIP incurred with  
6 the Michigan municipal bond authority, the state treasurer shall  
7 transmit to the Michigan municipal bond authority or a trustee  
8 designated by the authority the amount of the payment ~~which~~  
9 THAT is assigned or pledged under the agreement. Notwithstanding  
10 the payment dates prescribed by this act for distributions under  
11 this act, the state treasurer may advance all or part of a pay-  
12 ment ~~which~~ THAT is dedicated for distribution or for which the  
13 appropriation authorizing the payment has been made if and to the  
14 extent, under the terms of an agreement entered into by a city,  
15 village, OR township ~~, or county~~ and the Michigan municipal  
16 bond authority, the payment ~~which~~ THAT the city, village, OR  
17 township ~~, or county~~ is eligible to receive has been assigned  
18 to or pledged for payment of an obligation ~~it~~ incurred with the  
19 Michigan municipal bond authority. This subsection does not  
20 require the state to make an appropriation to any city, village,  
21 ~~county,~~ or township and shall not be construed as creating an  
22 indebtedness of the state. Any agreement made pursuant to this  
23 subsection shall contain a statement to that effect.

24 (5) The state treasurer shall withhold all or part of a pay-  
25 ment that a city, village, OR township ~~, or county~~ is eligible  
26 to receive under this act to satisfy a payment due and owing to  
27 the state or to a state department or agency from the city,

1 village, OR township ~~, or county~~ unless and to the extent  
2 subsection (4) requires otherwise or unless the city, village, OR  
3 township ~~, or county~~ has pledged payments under this act for  
4 payment on an obligation issued by the municipality as approved  
5 by the state treasurer.

6       Sec. 18. (1) Each city, village, or township shall report  
7 its local taxes and special assessments and cities and townships  
8 shall report their overlapping taxes to the department of trea-  
9 sury by March 1. A city, village, or township that levied less  
10 than 1 mill in the ~~past~~ IMMEDIATELY PRECEDING calendar year,  
11 when it reports its local taxes, shall also report whether its  
12 levied millage rate would have been at least 1 mill except for  
13 the millage reductions pursuant to section 31 of article IX of  
14 the state constitution of 1963; except for a millage reduction  
15 pursuant to section 34 of the general property tax act, Act  
16 No. 206 of the Public Acts of 1893, as amended, being section  
17 211.34 of the Michigan Compiled Laws; or except for the fact that  
18 the city, village, or township did not elect to increase the  
19 millage rate permitted by operation of section 24e(2) of Act  
20 No. 206 of the Public Acts of 1893, being section 211.24e of the  
21 Michigan Compiled Laws; ~~—~~ or for any combination of these  
22 exceptions. If a city, village, or township fails to report as  
23 provided in this section, its local tax effort rate shall be  
24 entered as zero for the IMMEDIATELY preceding calendar year. Not  
25 later than May 15, the department of treasury shall report to the  
26 department of management and budget the local taxes, special  
27 assessments, overlapping taxes, and state equalized valuation,

1 and whether the levied millage rate would have been at least 1  
2 mill if the required millage reductions or limitations had not  
3 been applied, for each city, village, and township for the  
4 IMMEDIATELY preceding calendar year. In determining and report-  
5 ing the overlapping taxes for a township and the villages within  
6 the township, the department of treasury shall prorate and allo-  
7 cate the overlapping taxes levied in the township to the township  
8 and each village in the same ratio that the state equalized value  
9 of the unincorporated area of the township and of each village  
10 bears to the total state equalized value of the township.

11 (2) Before December 2 of each year, each city, village, and  
12 township shall report to the department of treasury, on a form  
13 prepared by the department of treasury in consultation with the  
14 department of management and budget, all local revenues collected  
15 by the city, village, or township in the local unit's fiscal year  
16 ~~which~~ THAT ends during the IMMEDIATELY preceding July 1 to June  
17 30 period. The department of treasury shall accumulate the  
18 reports and submit a summary to the department of management and  
19 budget by February 1. The department of management and budget  
20 shall analyze the reports and shall make recommendations to the  
21 legislature regarding other local general fund revenues that the  
22 department considers reflective of or equivalent to local tax  
23 effort. "Other local revenues" shall not include state or fed-  
24 eral shared revenues, block grants, or categorical grants, or  
25 grants or gifts from other sources, but shall include fees or  
26 charges imposed by the city, village, or township for municipal  
27 purposes.

1 (3) The department of treasury shall report to the  
 2 department of management and budget the tax collections available  
 3 for distribution. The department of management and budget may  
 4 make the distribution in a single warrant. A millage rate certi-  
 5 fied to be levied for a city, village, or township of 1 mill or  
 6 more that is reduced below 1 mill pursuant to section 31 of arti-  
 7 cle IX of the state constitution of 1963, pursuant to section 34  
 8 of Act No. 206 of the Public Acts of 1893, as amended, or  
 9 because the city, village, or township did not elect to increase  
 10 the millage rate permitted by operation of section 24e(2) of Act  
 11 No. 206 of the Public Acts of 1893, as amended, or due to any  
 12 combination of these factors, shall be considered by the depart-  
 13 ment of management and budget to be 1 mill for all of the follow-  
 14 ing purposes:

15 (a) Payments under ~~sections 12(2) and~~ SECTION 15, which  
 16 payments shall be calculated using the actual local property  
 17 taxes.

18 ~~(b) Determining whether the city, village, or township is~~  
 19 ~~eligible under section 14 for payments based upon the tax burden~~  
 20 ~~formula, which formula shall be calculated using the actual local~~  
 21 ~~property taxes.~~

22 (B) ~~(c)~~ Determining whether the city, village, or township  
 23 is eligible under section 14a for payments based upon the special  
 24 census formula, which formula shall be calculated using the  
 25 actual local property taxes.

26 Sec. 21. (1) If a city, village, OR township ~~or county~~  
 27 fails to provide an annual financial report or audit ~~which~~ THAT

1 conforms with the minimum procedures and standards prescribed by  
2 the state treasurer and is required under THE UNIFORM BUDGETING  
3 AND ACCOUNTING ACT, Act No. 2 of the Public Acts of 1968, as  
4 amended, being sections 141.421 to 141.440a of the Michigan  
5 Compiled Laws, or Act No. 71 of the Public Acts of 1919, being  
6 sections 21.41 to 21.53 of the Michigan Compiled Laws, the pay-  
7 ments required under this act may be withheld until the financial  
8 report or audit is submitted as required by law.

9 (2) For a fiscal year of a unit of local government ending  
10 on or after October 1, 1980 or any year thereafter, if a local  
11 unit of government ends its fiscal year in a deficit condition,  
12 the local unit of government shall formulate and file a financial  
13 plan ~~within~~ NOT MORE THAN 90 days after the beginning of the  
14 fiscal year to correct this condition. Upon request of a local  
15 unit of government, the department of treasury may assist that  
16 local unit in the formulation of the financial plan to correct  
17 the deficit condition. The local unit of government shall file  
18 the financial plan with the department of treasury for evaluation  
19 and certification that the plan ensures that the deficit condi-  
20 tion is corrected. Upon certification by the department of trea-  
21 sury, the local unit of government shall institute the plan. An  
22 amount equal to 25% of each payment to a local unit of government  
23 entitled to payments under this act may be withheld until  
24 requirements of this subsection are met.

25 (3) The department of treasury shall notify each house of  
26 the legislature of any local unit of government that fails to  
27 provide a financial report or an audit required by subsection (1)

1 and of any local unit of government required to file a financial  
2 plan under subsection (2).

3 (4) As used in this section, "deficit condition" means ~~a~~  
4 ~~situation where,~~ THAT at the end of a fiscal year OF A LOCAL  
5 UNIT OF GOVERNMENT, total expenditures, including an accrued def-  
6 icit, exceeded total revenues for that fiscal year, including any  
7 surplus carried forward.

8 Section 2. Sections 11, 13, 13a, 14, and 20 of Act No. 140  
9 of the Public Acts of 1971, being sections 141.911, 141.913,  
10 141.913a, 141.914, and 141.920 of the Michigan Compiled Laws, are  
11 repealed.

12 Section 3. This amendatory act shall not take effect unless  
13 Senate Bill No. \_\_\_\_\_ or House Bill No. 5114 (request  
14 no. 05074'93 a) of the 87th Legislature is enacted into law.