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## PROPOSAL A: SWAMP TAX

House Bill 4590 as introduced  
First Analysis (3-28-95)

Sponsor: Rep. John Gernaat  
Committee: Tax Policy

### ***THE APPARENT PROBLEM:***

Voter approval of Proposal A on March 15, 1994, put in place a new school financing scheme and dramatically changed the state's property tax system. School districts, generally speaking, now receive a basic grant from the state that varies based roughly on the amount of revenue they had been raising just before the new plan went into effect. (In the beginning, the grant ranged from \$4,200 to \$6,500, with higher-spending districts required to levy certain permitted additional taxes if they wanted to spend beyond the maximum grant amount.) The implementation of the new plan required, among other things, that certain special kinds of tax revenues that previously went to school districts be channeled instead to the state, since they had been accounted for in calculating each district's basic grant. Otherwise, school districts would be getting the revenue twice. This change still needs to be made in the "swamp tax." Under current law, the state pays \$2.50 per acre to local units for certain state-owned lands under the jurisdiction of the Department of Natural Resources (tax-reverted, recreation, and forest lands). The payment goes to the county in which the property is located, and the county treasurer distributes the funds to other appropriate local taxing units, with 40 percent going to the county, 40 percent to townships, and 20 percent to schools. With the new school financing system, the share that has been going to schools should be retained by the state.

### ***THE CONTENT OF THE BILL:***

The bill would amend Public Act 116 of 1917 (which provides for the "swamp tax") so that after November 30, 1994, the state would pay a tax of \$2 per acre (or major portion of an acre) to counties on tax reverted, recreation, and forest lands under the control and supervision of the Department of Natural Resources. (The current rate is \$2.50 per acre.) The revenue would be disbursed 50 percent to the county general fund and 50 percent to the

general fund of the township in which the land is located.

MCL 211.581

### ***FISCAL IMPLICATIONS:***

According to a fiscal note from the House Fiscal Agency, the Department of Natural Resources estimates the lower tax payment obligations at \$1.78 million, and that reduction is reflected in the department's recommended 1995-96 budget. There would be no impact on local units of government. (3-23-95)

### ***ARGUMENTS:***

#### ***For:***

This is a Proposal A implementation bill. It revises the state swamp tax payment so that dollars previously distributed to school districts will be retained by the state because they are included in the basic grant to schools from the state. Counties and townships will continue to receive the same amount in payments. The proposed 1995-96 fiscal year DNR budget already reflects the reduction in state swamp tax payments.

### ***POSITIONS:***

A representative of the Department of Treasury indicated support of the bill before the House Tax Policy Committee. (3-23-95)

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