



**House  
Legislative  
Analysis  
Section**

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**SPECIFIC TAXES: TAXABLE VALUE**

**House Bills 5219 and 5220  
(Substitutes H-1)**

**Sponsor: Rep. Robert Brackenridge**

**House Bill 5221 (Substitute H-1)**

**Sponsor: Rep. Michael Goschka**

**House Bill 5222 (Substitute H-1)**

**Sponsor: Rep. John Gernaat**

**Committee: Tax Policy**

**First Analysis (10-31-95)**

***THE APPARENT PROBLEM:***

The term "taxable value" has been added to the General Property Tax Act to implement the constitutional limit on how much property assessments can increase from one year to the next. That limit was added to the state constitution by the passage of Proposal A on March 15, 1994. It says the assessment of a parcel of property cannot increase from one year to the next by more than five percent or the percentage increase in the consumer price index, whichever is less. Property taxes are now based on the "taxable value" of property, which will be lower than state equalized value (SEV) where property values are increasing at a rate higher than the limit. However, there are a number of tax statutes that provide for a specific tax to be levied in lieu of property taxes. Typically, the statutes provide abatements for certain categories of property, and the specific taxes that must be paid are calculated using the same elements (property value and millage rates) used in calculating property taxes. These statutes also need to be amended if the various specific taxes are to be calculated based on the "taxable value" of property rather than SEV. Recently, the House passed House Bill 5126, applying the assessment cap to property with an abatement under the plant rehabilitation and industrial development act (also known as PA 198). Legislation has been introduced to address other abatement acts.

***THE CONTENT OF THE BILLS:***

House Bills 5219-5222 would amend various acts that provide for specific taxes in lieu of property taxes so that the tax rates under those acts would be calculated using "taxable value" rather than "state equalized value" or "true cash value." Each of the acts provides

a different kind of tax abatement. (This means the assessment cap would be applied to the property that is subject to each of the special taxes.)

House Bill 5219 would amend the Enterprise Zone Act (MCL 125.2103 et al.). House Bill 5220 would amend the Neighborhood Enterprise Zone Act (MCL 207.772). House Bill 5221 would amend the Commercial Redevelopment Act (MCL 207.654 et al.). House Bill 5222 would amend the Technology Park Development Act (MCL 207.704 et al.) The bills would take effect December 30, 1995.

***FISCAL IMPLICATIONS:***

The House Fiscal Agency has said the House Bills 5219-5221 would have an indeterminate impact on state and local revenues, and that House Bill 5222 would result in a decrease in state and local revenues of \$70,000. (Fiscal Notes dated 10-25-95) It should be noted that the substitute bills take effect December 30, 1995, and so would not affect taxes due for 1995.

***ARGUMENTS:***

***For:***

The bill would simply apply the assessment cap approved by voters with the passage of Proposal A to property on which a "specific" tax (instead of standard property taxes) is levied under one of several property tax abatement statutes. Many people assumed that the assessment cap, which limits how fast the assessment of property can increase from one year to the next, applied to all property. It was simply an oversight, they say, that these statutes were not changed as part of the

House Bills 5219-5222 (10-31-95)

Proposal A implementation package. The bills makes the taxable value of property under various abatement statutes consistent with property taxed under the General Property Tax Act. A similar bill, dealing with industrial facilities, has already passed the House.

***Response:***

There is some question as to whether the assessment cap should apply to abated property that is subject to a specific tax. A recent attorney general's opinion has said, "the cap on assessments [in the state constitution] only applies to the general ad valorem property taxes imposed by . . . the General Property Tax Act." However, this sentence appears in an opinion specifically related to a question about the applicability of the assessment cap to the state utility tax that applies to telephone companies and railroads, among others. (That tax is not amended by any of the bills under discussion.) The thrust of that decision was that the special utility tax is referred to in Article IX, Section 5 of the state constitution while the assessment cap language is in Article IX, Section 3, which deals with general ad valorem taxes. Even so, the bills under discussion could be subject to challenge based on that opinion.

***Against:***

Assessors have raised objections to two of the bills, House Bills 5221 and 5222, because of administrative difficulties that will be involved as a result of changing the way the taxes in question are calculated. Also, some people who oppose the abatement programs in principle also oppose providing any additional benefit.

***POSITIONS:***

The Michigan State Chamber of Commerce supports the bills. (10-30-95)

The Michigan Assessors Association has indicated its support for House Bills 5219 and 5220 and its opposition to House Bills 5221 and 5222. (10-27-95)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.