

Act No. 342
Public Acts of 1996
Approved by the Governor
June 27, 1996
Filed with the Secretary of State
June 27, 1996

**STATE OF MICHIGAN
88TH LEGISLATURE
REGULAR SESSION OF 1996**

Introduced by Rep. Voorhees

ENROLLED HOUSE BILL No. 4853

AN ACT to amend the title and sections 5, 6, 11, 12, 13, and 18 of Act No. 140 of the Public Acts of 1971, entitled as amended "An act to provide for the distribution of certain state revenues to cities, villages, townships, and counties; and to impose certain duties and confer certain powers on this state, political subdivisions of this state, and the officers of both," section 11 as amended by Act No. 68 of the Public Acts of 1992, sections 12 and 13 as amended by Act No. 134 of the Public Acts of 1995, and section 18 as amended by Act No. 299 of the Public Acts of 1994, being sections 141.905, 141.906, 141.911, 141.912, 141.913, and 141.918 of the Michigan Compiled Laws; to add sections 11a, 12a, and 13c; and to repeal acts and parts of acts.

The People of the State of Michigan enact:

Section 1. The title and sections 5, 6, 11, 12, 13, and 18 of Act No. 140 of the Public Acts of 1971, section 11 as amended by Act No. 68 of the Public Acts of 1992, sections 12 and 13 as amended by Act No. 134 of the Public Acts of 1995, and section 18 as amended by Act No. 299 of the Public Acts of 1994, being sections 141.905, 141.906, 141.911, 141.912, 141.913, and 141.918 of the Michigan Compiled Laws, are amended and sections 11a, 12a, and 13c are added to read as follows:

TITLE

An act to provide for the distribution of certain state revenues to cities, villages, townships, and counties; to impose certain duties and confer certain powers on this state, political subdivisions of this state, and the officers of both; to create reserve funds; and to establish a revenue sharing task force and provide for its powers and duties.

Sec. 5. (1) "Local tax effort rate" for a city, village, or township means its local taxes divided by its taxable value.

(2) "Statewide tax effort rate" means the total local taxes in the state divided by the total taxable value.

(3) "Relative tax effort rate" means the local tax effort rate for a city, village, or township divided by the statewide tax effort rate.

(4) "Tax effort formula" means the method for computing, from the total amount of revenue available for distribution under the formula at any single time, the amount to be paid to a city, village, or township determined as follows:

(a) Multiply the relative tax effort for the city, village, or township by the population of the city, village, or township.

(b) Divide the total amount of revenue available for distribution under the formula at any single time by the sum of the products determined under subdivision (a).

(c) Multiply the quotient determined under subdivision (b) by the individual products determined under subdivision (a) for each city, village, or township.

(5) "Taxable value" means that value determined under section 27a of the general property tax act, Act No. 206 of the Public Acts of 1893, being section 211.27a of the Michigan Compiled Laws.

Sec. 6. (1) "Local tax burden rate" for a city, village, or township means local taxes of the city, village, or township plus special assessments plus 25% of the overlapping taxes levied in the city, village, or township, which sum is divided by the taxable value of the city, village, or township.

(2) "Statewide tax burden rate" means the total local taxes in the state plus the total special assessments levied by cities, villages, or townships plus 25% of the total overlapping taxes in the state, which sum is divided by the total taxable value.

(3) "Relative tax burden rate" means the local tax burden rate for a city, village, or township divided by the statewide tax burden rate.

(4) "Tax burden formula" means the method for computing, from the total amount of revenue available for distribution under the formula at any single time, the amount to be paid to a city, village, or township determined as follows:

(a) Multiply the relative tax burden rate of the city, village, or township by its population.

(b) Divide the total amount of revenue available for distribution under the formula at any single time by the sum of the products determined under subdivision (a).

(c) Multiply the quotient from subdivision (b) by the individual products determined under subdivision (a) for each city, village, or township.

Sec. 11. (1) For state fiscal years before the 1996-1997 state fiscal year, the department of management and budget shall cause to be paid during each August, November, February, and May, to counties on a per capita basis the collections from the state income tax as certified by the department of treasury for the quarter periods ending the prior June 30, September 30, December 31, and March 31 that are available for distribution to and retention by counties.

(2) For state fiscal years beginning after September 30, 1992, the collections from the state income tax otherwise available for distribution to counties in November for the quarter period ending the prior September 30 shall be increased by \$35,900,000.00 and the collections from the state income tax otherwise available for distribution to counties in August for the quarter period ending the prior June 30 shall be decreased by \$35,900,000.00.

(3) For state fiscal years after the 1995-1996 state fiscal year and before the 1998-1999 state fiscal year, the department of treasury shall cause to be paid to counties on a per capita basis an amount equal to 24.5% of the difference between 21.3% of the sales tax collections at a rate of 4% in the 12-month period ending June 30 of the state fiscal year in which the payments are made and the total distribution for the state fiscal year under section 12a. For state fiscal years after the 1997-1998 state fiscal year, the department of treasury shall cause to be paid to each county the same amount that was paid to that county under this section during the immediately preceding state fiscal year from 24.5% of the difference between 21.3% of the sales tax collections at a rate of 4% in the 12-month period ending June 30 of the state fiscal year in which the payments are made and the total distribution for the state fiscal year under section 12a. Each state fiscal year after the 1997-1998 state fiscal year, the amount by which the total collections available for distribution under this subsection exceed the amount distributed under this subsection shall be deposited in the revenue sharing reserve fund created in subsection (5).

(4) The payments under subsection (3) shall be made from revenues collected during the state fiscal year in which the payments are made and shall be made during each October, December, February, April, June, and August. Payments shall be based on collections from the sales tax at a rate of 4% in the 2-month period ending the prior August 31, October 31, December 31, February 28, April 30, and June 30, less 1/6 of the total distribution for the state fiscal year under section 12a.

(5) The revenue sharing reserve fund is created as a separate fund in the general fund.

Sec. 11a. (1) A bipartisan revenue sharing task force is established within the legislative branch of state government. Task force members shall be appointed by the senate majority leader and the speaker of the house of representatives by January 10, 1997.

(2) The senate majority leader and the speaker of the house of representatives shall call the first meeting of the task force during January 1997.

(3) The task force shall investigate the revenue sharing distribution formulae and sources of revenue for distributions and make recommendations to the legislature for any changes in the formulae or sources of funds it considers advisable. The task force shall set forth its recommendations in a written report and submit a copy of the report to each member of the legislature by September 30, 1997.

(4) The business that the task force may perform shall be conducted at a public meeting of the task force held in compliance with the open meetings act, Act No. 267 of the Public Acts of 1976, being sections 15.261 to 15.275 of the Michigan Compiled Laws.

(5) A writing prepared, owned, used, in possession of, or retained by the task force in the performance of an official function is subject to the freedom of information act, Act No. 442 of the Public Acts of 1976, being sections 15.231 to 15.246 of the Michigan Compiled Laws.

(6) The legislature shall consider the task force report submitted pursuant to subsection (3).

(7) This section is repealed effective January 1, 2000.

Sec. 12. (1) For state fiscal years before the 1996-1997 state fiscal year, the department of treasury shall cause to be paid to each city, village, and township its share, computed on a per capita basis, during each August, November, February, and May, of the collections designated for assistance to townships, cities, and villages under section 10 of article IX of the state constitution of 1963 from the sales tax for the quarter periods ending the prior June 30, September 30, December 31, and March 31 that are available for distribution to cities, villages, and townships.

(2) For state fiscal years before the 1996-1997 state fiscal year, during each calendar year, the department of treasury shall cause to be advanced and paid in June to cities, villages, and townships on a per capita basis \$9,500,000.00 of the amount that would otherwise be paid in August pursuant to subsection (1).

(3) For state fiscal years after the 1995-1996 state fiscal year, the department shall cause to be paid to each city, village, and township its share, computed on a per capita basis, during each October, December, February, April, June, and August, the collections designated for assistance to cities, villages, and townships under section 10 of article IX of the state constitution of 1963 from the sales tax, the collections that are available for distribution to cities, villages, and townships. Payments under this subsection shall be based on collections from the sales tax at a rate of 4% in the 2-month period ending the prior August 31, October 31, December 31, February 28, April 30, and June 30.

Sec. 12a. (1) For state fiscal years before the 1998-1999 state fiscal year, the department of treasury shall calculate the amount of payment to be made to a city, village, or township by multiplying the amount of state equalized value of tax exempt inventory property as certified by the department of treasury under section 132 of the single business tax act, Act No. 228 of the Public Acts of 1975, being section 208.132 of the Michigan Compiled Laws, times the property tax rate for each taxing unit as certified each year to the department of treasury for purposes of this act.

(2) For state fiscal years before the 1998-1999 state fiscal year, the department of treasury shall pay to each county each year, following the year the amount was calculated, an amount equal to the product of the state equalized value of inventory as certified by the department of treasury under section 132 of Act No. 228 of the Public Acts of 1975, times the county property tax rate for the county as reported each year to the department of treasury.

(3) For state fiscal years after the 1995-1996 state fiscal year, the payment under this section shall be from the collections, exclusive of the amount designated for assistance to townships, cities, and villages under section 10 of article IX of the state constitution of 1963, of the sales tax levied at a rate of 4%.

(4) Payments made under this section, and the allocation and appropriation of amounts necessary to make the payments under this section, shall include interest which shall accrue on the unpaid balance. Interest shall accrue at the rate determined under section 13b.

(5) A payment required to be made under this section shall not be delayed so as to cause interest to accrue pursuant to subsection (4) unless the delay in any payment is authorized by a written directive issued and signed by the governor that conforms to and is subject to section 13b(2) and (3).

(6) Amounts required to be paid pursuant to this section that are subject to an unavoidable delay of a de minimis period or that are withheld or set off pursuant to law in the settlement or adjustment of an obligation or debt due to this state are not subject to subsections (4) and (5).

(7) The treasurer of any city, village, township, or county who collects money for an authority that levies property taxes, shall pay an eligible authority its proportionate share of the reimbursements under this section. The proportionate share is the percentage that the property taxes collected by the authority are to the property taxes of the assessing unit. The property taxes of the authorities may be added to the millages used to determine payments under this section. For an authority to be eligible for compensation under this section, that authority shall have an authorization to have taxes levied for its use as provided by law. School districts, intermediate school districts, community college districts, vocational education districts, and special education districts are not included under this section.

(8) The state treasurer may make a disbursement for a payment under this section that has been delayed in advance of the date the delayed payment is expected to be paid.

(9) Payments under this section to cities and villages shall be made on or before October 31 and payments under this section to counties and townships shall be made on or before February 28.

(10) For state fiscal years after the 1997-1998 state fiscal year, the department of treasury shall cause to be paid to each city, village, township, and county an amount equal to the payment made under this section to that city, village, township, or county under this section for the immediately preceding state fiscal year.

Sec. 13. (1) This subsection and subsection (2) apply to distributions to cities, villages, and townships during the state fiscal years before the 1996-1997 state fiscal year of collections from the state income tax and single business tax. Except as otherwise provided in subsection (2), the department of treasury shall cause to be paid to each city, village, and township its share, computed in accordance with the tax effort formula, of the following revenues:

(a) During each August, November, February, and May, the collections from the state income tax for the quarter periods ending the prior June 30, September 30, December 31, and March 31 that are available for distribution to cities, villages, and townships under the income tax act of 1967, Act No. 281 of the Public Acts of 1967, being sections 206.1 to 206.532 of the Michigan Compiled Laws.

(b) The amount of the collections from the single business tax available for distribution to cities, villages, and townships under section 136 of the single business tax act, Act No. 228 of the Public Acts of 1975, being section 208.136 of the Michigan Compiled Laws.

(2) The amount of collections of the state income tax otherwise available for distribution to cities, villages, and townships in November, February, and May, computed in accordance with the tax effort formula, shall be increased by \$22,600,000.00. The amount of collections otherwise available for distribution to cities, villages, and townships in August, computed in accordance with the tax effort formula, shall be decreased by \$67,800,000.00.

(3) This subsection applies to distributions to cities, villages, and townships for the 1996-1997 state fiscal year. The department shall cause to be paid in accordance with the tax effort formula an amount equal to 75.5% of the difference between 21.3% of the sales tax collections at a rate of 4% in the 12-month period ending June 30 of the state fiscal year in which the payments are made and the total distribution for the state fiscal year under section 12a.

(4) The department of treasury shall cause to be paid during the 1997-1998 state fiscal year an amount equal to 75.5% of the difference between 21.3% of the sales tax collections at a rate of 4% in the 12-month period ending June 30 of the state fiscal year in which the payments are made and the total distribution for the state fiscal year under section 12a, both of the following:

(a) To each city, village, and township, the amount of collections distributed under subsection (3) to cities, villages, and townships for the 1996-1997 state fiscal year or its pro rata share of the collections if the collections are less than the amount of collections distributed under subsection (3) for the 1996-1997 state fiscal year. A city's, village's, or township's share of revenues under this subdivision shall be computed using the tax effort formula.

(b) To each city, village, and township its share of the collections to the extent the total collections available for distribution under this subsection exceed the amount distributed to cities, villages, and townships under subdivision (a) for the fiscal year. A city's, village's, or township's share of revenues under this subdivision shall be computed on a per capita basis.

(5) For state fiscal years after the 1997-1998 state fiscal year, the department of treasury shall cause to be paid to each city, village, and township from an amount equal to 75.5% of the difference between 21.3% of the sales tax collections at a rate of 4% in the 12-month period ending June 30 of the state fiscal year in which the payments are made and the total distribution for the state fiscal year under section 12a, the amount distributed to the city, village, or township under this section during the immediately preceding state fiscal year or its pro rata share of the collections if the collections are less than the amount of collections that were available for distribution in the immediately preceding state fiscal year. Each state fiscal year after the 1997-1998 state fiscal year, the amount by which the total collections available for distribution under this subsection exceed the amount distributed under this subsection shall be deposited in the revenue sharing reserve created in section 11(5).

(6) The department of treasury shall pay to counties, cities, townships, and villages by October 31, 1995, \$2.00 per parcel for the administrative costs associated with the processing of homestead affidavits filed in those counties, cities, townships, and villages before December 1, 1994.

(7) The payments under subsections (3), (4), and (5) shall be made during each October, December, February, April, June, and August. Payments under subsections (3), (4), and (5) shall be based on collections from the sales tax at the rate of 4% in the 2-month period ending the prior August 31, October 31, December 31, February 28, April 30, and June 30, less 1/6 of the total distribution for the state fiscal year under section 12a.

(8) Payments under this section shall be made from revenues collected during the state fiscal year in which the payments are made.

(9) Distributions provided for by this act are subject to an annual appropriation by the legislature.

Sec. 13c. For state fiscal years after the 1998-1999 state fiscal year, a reduction in the rate of or collections from a local unit of government's property, income, or utility tax shall not be used as a basis for a reduction of the amount distributed under this act to that local unit of government.

Sec. 18. (1) Each city, village, or township shall report its local taxes and special assessments and cities and townships shall report their overlapping taxes to the department of treasury by March 1. A city, village, or township that levied less than 1 mill in the immediately preceding calendar year, when it reports its local taxes, shall also report whether its levied millage rate would have been at least 1 mill except for the millage reductions pursuant to section 31 of article IX of the state constitution of 1963; except for a millage reduction pursuant to section 34 of the general property tax act, Act No. 206 of the Public Acts of 1893, being section 211.34 of the Michigan Compiled Laws; or except for the fact that the city, village, or township did not elect to increase the millage rate permitted by operation of section 24e(2) of Act No. 206 of the Public Acts of 1893, being section 211.24e of the Michigan Compiled Laws, or for any

combination of these exceptions. If a city, village, or township fails to report as provided in this section, the department of treasury shall give notice of the failure to the assessor and the chief executive officer of the city, village, or township. After the department of treasury gives notice, payments under this act shall be withheld. The withheld payments may later be issued if the city, village, or township reports before the end of the revenue sharing year. Not later than May 15, the department of treasury shall report to the department of management and budget the local taxes, special assessments, overlapping taxes, and taxable value, and whether the levied millage rate would have been at least 1 mill if the required millage reductions or limitations had not been applied, for each city, village, and township for the immediately preceding calendar year. In determining and reporting the overlapping taxes for a township and the villages within the township, the department of treasury shall prorate and allocate the overlapping taxes levied in the township to the township and each village in the same ratio that the taxable value of the unincorporated area of the township and of each village bears to the total taxable value of the township.

(2) Before December 2 of each year, each city, village, and township shall report to the department of treasury, on a form prepared by the department of treasury in consultation with the department of management and budget, all local revenues collected by the city, village, or township in the local unit's fiscal year that ends during the immediately preceding July 1 to June 30 period. The department of treasury shall accumulate the reports and submit a summary to the department of management and budget by February 1. The department of management and budget shall analyze the reports and shall make recommendations to the legislature regarding other local general fund revenues that the department considers reflective of or equivalent to local tax effort. Other local revenues do not include state or federal shared revenues, block grants, or categorical grants, or grants or gifts from other sources, but do include fees or charges imposed by the city, village, or township for municipal purposes.

(3) The department of treasury shall report to the department of management and budget the tax collections available for distribution. The department of management and budget may make the distribution in a single warrant. A millage rate certified to be levied for a city, village, or township of 1 mill or more that is reduced below 1 mill pursuant to section 31 of article IX of the state constitution of 1963, pursuant to section 34 of Act No. 206 of the Public Acts of 1893, or because the city, village, or township did not elect to increase the millage rate permitted by operation of section 24e(2) of Act No. 206 of the Public Acts of 1893, or due to any combination of these factors, shall be considered by the department of management and budget to be 1 mill for all of the following purposes:

- (a) Payments under sections 12(2) and 15, which payments shall be calculated using the actual local property taxes.
- (b) Determining whether the city, village, or township is eligible under section 14 for payments based upon the tax burden formula, which formula shall be calculated using the actual local property taxes.
- (c) Determining whether the city, village, or township is eligible under section 14a for payments based upon the special census formula, which formula shall be calculated using the actual local property taxes.

Section 2. The following acts and parts of acts are repealed effective October 1, 1996:

- (a) Section 481 of Act No. 281 of the Public Acts of 1967, being section 206.481 of the Michigan Compiled Laws.
- (b) Sections 132, 134, 136, and 137 of Act No. 228 of the Public Acts of 1975, being sections 208.132, 208.134, 208.136, and 208.137 of the Michigan Compiled Laws.

This act is ordered to take immediate effect.

Clerk of the House of Representatives.

Secretary of the Senate.

Approved -----

Governor.