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SFA



BILL ANALYSIS

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Senate Bill 12 (as introduced 1-8-97)
Sponsor: Senator Bill Schuette
Committee: Finance

Date Completed: 4-29-97

CONTENT

The bill would amend the General Property Tax Act to exempt personal property from taxation by 10% beginning in the 1996 calendar year, and increase the exemption by 10% each year thereafter until personal property was totally exempt in 2005 and thereafter.

MCL 211.9f

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would phase out the personal property tax 10% each year over a 10-year period. The current level of State, local, and school personal property tax collections totals \$1.5 billion. The table below shows a 10-year period of estimated personal property tax collections and the estimated fiscal impact of Senate Bill 12. A 10% reduction in the first year would reduce total State and local property tax revenue by \$150 million. Of this amount, local governments would lose \$61.7 million and local school property tax revenue would decline by \$61.9 million. State government revenue from the State education property tax and the utility property tax would decline by \$26.4 million; however, due to the State's guaranteed school foundation allowance the State also would have to reimburse the schools for their loss in personal property taxes, which would bring the total State cost to \$88.3 million. The data assume a constant growth rate from 1997 through 2005 in the total personal property tax collections of 5.2%.

Revenue Loss Due to Senate Bill 12 (millions of dollars)

Calendar Year	Total Personal Property Tax Collections	Revenue Loss Due to 10-Year 100% Phase Out (10% Per Year)					Total State Cost ⁽²⁾
		Combined State & Local	Local Government Revenues ⁽¹⁾	State Revenues	School Revenues	Total State Cost ⁽²⁾	
1996	1,500.0	150.0	61.7	26.4	61.9	88.3	
1997	1,604.9	321.0	132.0	56.5	132.6	189.0	
1998	1,688.7	506.6	208.3	89.1	209.2	298.3	
1999	1,776.9	710.7	292.2	125.0	293.5	418.5	
2000	1,869.6	934.8	384.3	164.4	386.0	550.5	
2001	1,967.2	1,180.3	485.3	207.6	487.4	695.0	
2002	2,069.9	1,448.9	595.7	254.9	598.4	853.2	
2003	2,177.9	1,742.3	716.3	306.5	719.5	1,026.0	
2004	2,291.6	2,062.5	848.0	362.8	851.7	1,214.5	
2005	2,411.2	2,411.2	991.4	424.1	995.8	1,419.9	

- 1) Local revenues not reimbursed by State.
- 2) Includes State revenue loss and hold harmless replacement revenue for K-12 schools' and ISDs' loss in property tax.

Fiscal Analyst: R. Ross

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