Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 432 (Substitute S-1 as reported)
Sponsor: Senator Bill Bullard, Jr.
Committee: Finance

CONTENT

The bill would amend Public Act 33 of 1955 (which allows certain local units of government to provide for police and fire protection and to levy special assessments to pay for the equipment) to provide that ad valorem special assessments levied after 1996 would have to be levied on the taxable value of the property assessed; and that appropriations to pay for the equipment would have to be based upon taxable value after 1996.

Currently, to pay for police and fire vehicles, apparatus, equipment, and housing a township may, by resolution, provide for the appropriation of general or contingent funds; the annual appropriation cannot exceed 10 mills of the State equalized valuation (SEV) of the area in which the services are to be provided. The bill provides that after 1996 the appropriation could not exceed 10 mills of the taxable value of the area to be served. Currently, if township boards acting individually or jointly determine to create a special assessment district for police and fire protection, they must determine the amount of special assessment levy to spread on the lands and premises to be benefitted by the protection. The bill provides that after 1996 the levy would have to be assessed on the taxable value of the lands and premises to be benefitted by the protection.

(Various State statutes authorize special assessments. In general, a special assessment is an assessment on a parcel of property's State equalized valuation that is levied for a specific purpose, such as lighting, streets, sewers, or water, that benefits the property subject to the special assessment; however, some special assessments are levied on all taxable real property within a local unit, for such things as police and fire services. Pursuant to the assessment cap placed in the State Constitution by the voters in 1994, the assessment on a parcel of property can increase, from one year to the next, only by the lesser of 5% or the rate of inflation; once a parcel is sold, the property is assessed at its market value and the new cap begins to apply again. Both the "taxable value" and the SEV of property are calculated each year; the taxable value reflecting the value at which the property is taxed pursuant to the assessment cap, and the SEV reflecting the property's increase (or decrease) in market value.)

MCL 41.801 Legislative Analyst: G. Towne

FISCAL IMPACT

The bill specifies that special assessments levied for 1997 and subsequent years would have to be based on the taxable value of the assessed property. Local units that currently use the SEV for special assessments and do not increase millage rates would decrease special assessment collections by using the taxable value.

Date Completed: 5-21-97 Fiscal Analyst: R. Ross