



**House
Legislative
Analysis
Section**

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**STATE EDUCATION TAX: SUMMER
LEVY/ REDUCED RATE IN 2003**

**Senate Bill 1165 as passed by the Senate
Sponsor: Sen. John J. H. Schwarz, M.D.**

**Senate Bill 1166 as passed by the Senate
Sponsor: Sen. Harry Gast**

**Senate Committee: Finance
Committee: Tax Policy**

Complete to 3-20-02

**A SUMMARY OF SENATE BILLS 1165 AND 1166 AS REPORTED BY THE HOUSE
COMMITTEE ON TAX POLICY ON 3-20-02**

Senate Bill 1165 would amend the State Education Tax Act (MCL 211.903 and 211.905) to:

- Require that the state education tax be collected in 2003 and in subsequent years in a summer levy; and
- Lower the rate of the state education tax from six mills to five mills for 2003 only.

Summer Levy. Beginning in 2003, the state education tax would be collected as a summer levy. The tax would be collected by each city and township (with exceptions). If a school district or intermediate school district collected taxes in the summer under the Revised School Code, it would collect the state education tax instead. In a city or township in which no other property taxes were collected in the summer (other than village taxes), the city or township would collect the tax, unless it declined to do so. If the city or township declined to collect the tax, the county would collect the tax, unless it also declined. If the county declined, the state treasurer would collect the tax. If a city or township that otherwise did not collect summer taxes agreed to collect the tax, or if a county agreed to collect the tax, the state would pay the city, township, or county \$2 for each parcel on which the tax was collected. [Currently, the act requires the tax to be collected and distributed by the local tax collecting unit "at the same time as other taxes levied by the local school district for school operating purposes".]

To decline the collection, the legislative body of a city or township would have adopted a resolution before November 1 of the prior year (e.g., November 1, 2002 for 2003). In the case of a township, the treasurer would have to concur in writing with the decision to decline to collect the tax. The resolution and treasurer's concurrence would have to be sent to the state treasurer and county treasurer. In turn, the board of commissioners of a county declining to collect the tax would have to adopt a resolution by February 1, with the county treasurer concurring. The resolution and written concurrence of the treasurer would have to be sent to the state treasurer.

Senate Bills 1165 and 1166 (3-20-02)

Local Collection. When a city or township collected the tax on a date other than a date it otherwise collected taxes, the collections would be subject to the same fees and charges the local unit could impose under the General Property Tax Act, except that the local unit could impose an administrative fee on the tax billed in the summer even if the fee was not imposed on taxes billed in December. Taxes collected on or before September 14 would be without interest; taxes collected after that date would bear interest at the rate imposed on delinquent property tax levies that become a lien in the same year. All interest and penalties imposed prior to the date taxes would be returned as delinquent would go to the state treasurer for deposit in the State School Aid Fund. The administrative fee would be retained by the local unit. The tax to be collected by a city would become a lien against the property on which it was assessed in the same manner and on the same date as city taxes (or on July 1, if the city approved the collection of the state education tax on a date other than the date it collects city taxes). The tax would be subject to the same penalties, interest, and collection charges as city taxes, and would be returned as delinquent to the county treasurer in the same manner and with the same interest, penalties, and fees as city taxes.

County/State Collection. When a county treasurer or the state treasurer collected the tax, the township or city for which the taxes were being collected would have to deliver by June 1 to the appropriate treasurer a certified copy of each assessment roll, with each roll to include the taxable value of each parcel subject to collection. The county or state treasurer would remit the costs of reproduction of the assessment roll to the local unit. Not later than June 30, the county treasurer or state treasurer, as applicable, would have to spread the millage levied under the act against the assessment roll and prepare the tax roll. The county or state treasurer would be able to impose all or a portion of the fees and charges that a local unit can impose under the General Property Tax Act on taxes paid before March 1, and could charge and retain those fees regardless whether all or part of such fees and charges had been waived by the local unit. The tax when collected by a county or state treasurer would be subject to a one percent administration fee. The county or state treasurer would have powers and duties similar to those described in the General Property Tax Act for township supervisors, clerks, and treasurers, in relation to the assessment, spreading, and collection of taxes. (However, this provision could not be considered to transfer any authority over the assessment of property.) A county treasurer or the state treasurer would have to be bonded for tax collection in the same amount and in the same manner as a township treasurer. Taxes collected by a county or state treasurer would go into a separate "state education collection account", and the county or state treasurer would direct the investment of the account. Interest and earnings would be credited to the account, but could only be used for the cost of collecting the state education tax.

Senate Bill 1166 would amend the General Property Tax Act (MCL 211.44d) to specify that a local taxing unit that levied part or all of its 2002 property taxes in December in a city or township could not increase the proportion of its mills levied in the summer in that city or township in 2003. The bill also would permit a county treasurer or the state treasurer collecting the state education tax as a summer levy to retain all administration fees collected, notwithstanding other provisions in the General Property Tax Act.

FISCAL IMPLICATONS:

The House Fiscal Agency reports that the overall impact of Senate Bill 1165 would be to increase state school revenue by about \$500 million for fiscal year 2002-03 and \$30 million for fiscal year 2003-04. According to the HFA, requiring that all of the state education tax be collected as part of the summer tax levy will increase revenues by about \$765 million. However, reducing the tax from six mills to five mills in 2003 will result in a revenue reduction of \$266 million. (HFA fiscal analysis dated 3-18-02)

Analyst: C. Couch

■ 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.