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TAX LIMITATION ELECTION: EFFECTIVE DATE OF RESULTS

House Bill 5092 as introduced
First Analysis (10-10-01)

Sponsor: Rep. Rich Brown
Committee: Commerce

THE APPARENT PROBLEM:

Under the Property Tax Limitation Act, a county can allocate mills (or tax limitations) for the county, its townships, and intermediate school districts by putting a proposal before the voters. The limitations or allocations can be for a specific or an indefinite period of time. Such an election must held by April 1 for the tax limitations to be effective in the year of the election. If an election is held after that date, the adopted limitations are effective in the next calendar year. According to testimony before the House Commerce Committee, officials in Baraga County only belatedly became aware of the need to renew expiring tax limitations that had been in place for ten years. The county held a separate tax limitation election on August 7 of this year. Although the proposition that voters approved said that the tax limitations were for a five year period beginning with 2001, the statute does not in fact allow the allocations to be effective in 2001, because the election was past the statutory deadline. Unless this situation is resolved, the county will have to revert to a lower authorized millage limitation for that year. It stands to lose a significant amount of tax revenue and could be forced to lay off employees and cut services.

THE CONTENT OF THE BILL:

The bill would amend the Property Tax Limitation Act to specify that separate tax limitations adopted at a countywide election held August 7, 2001 would be first effective in 2001. Currently, the act provides that tax limitations adopted at an election after April 1 in any year are first effective in the next succeeding calendar year. (The bill also would change "next succeeding" to "immediately succeeding".)

MCL 211.205i

FISCAL IMPLICATIONS:

According to testimony before the House Commerce Committee, the bill would only apply to one county, Baraga County. According to county officials, without this bill the county would have to forego $334,244 in revenue in fiscal year 2001-2002. With the bill, the county could generate $1,249,780 in revenue from the voter-approved 8.6 mills; without the bill, the county would receive only $915,536 from 6.3 mills previously authorized by the county allocation board. (Information presented to the committee by Baraga County)

ARGUMENTS:

For:

The bill would allow a county to levy taxes in 2001 authorized by county voters for that year at an August tax limitation election. The statute says that such an election must be held by April 1 if the results are to be effective for the year in which the election is held. In Baraga County, officials did not realize the need to hold this election until past the deadline. The bill would simply put in place a one-time exception that would allow the county to collect voter-approved revenue. The proposition put before the voters in August said the approved millage would be for the years 2001-2005, so the bill would be in accordance with the intent of local voters. The bill would apply only to an election held on August 7, 2001. Tax specialists have said only Baraga County held such an election on that date. Without this bill, say county officials, the county will be dramatically hurt by the loss of tax revenue.

Response:

Although no one expressed opposition to the bill before the House Commerce Committee, there were concerns that this not serve as a precedent for similar exceptions.

POSITIONS:

The Michigan Association of Counties supports the bill. (10-9-01)

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.