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 341 (as enrolled)
Sponsor: Senator Mike Goschka
Committee: Finance

Date Completed: 3-29-01

RATIONALE

It is common practice for a school district to levy millage on real and personal property within the district in order to retire bonded indebtedness, that is, bonds issued by the district for various purposes allowed by law. Generally, once the debt has been retired, the tax is no longer collected (although a district can ask voters to approve an extension of a levy). It has been reported that the Saginaw City School District collected approximately $895,000 from a millage in excess of the amount necessary to retire a bond in December 1998. Reportedly, the district wishes to return the money to the taxpayers but has been unable to find a legal mechanism to do so. It has been suggested that the school district forward the money to the Department of Treasury, which then could return the money to taxpayers in the school district in the form of a credit against the State education tax.

CONTENT

The bill would amend the State Education Tax Act to provide for a credit against the tax in 2001 for property located in a "qualified local school district", i.e., a local school district that, on or after July 1, 1997, levied and collected a tax to retire outstanding bonded indebtedness in an amount at least $100,000 more than necessary to retire the debt on December 1, 1998. (This definition applies to the Saginaw City School District.)

The State education tax is a six-mill levy on all real and personal property subject to general property taxes; the tax is collected by local tax collecting units and forwarded to the State for deposit in the State School Aid Fund. The bill provides that each parcel of property subject to the tax, that was located in a qualified local school district, would have to receive a credit against the tax levied in July 2001. The amount of the credit would be calculated by multiplying the taxable value of the property by the "applied millage rate"; the local tax collecting unit would have to reflect the credit on the July 2001 tax bill for each parcel of property. The "applied millage rate" would be the rate determined (by the State Treasurer) by dividing the "excess debt levy retirement funds" by the total taxable value of all property subject to the tax located in the qualified local school district. "Excess debt levy retirement funds" would be the amount that the qualified local school collected on or after July 1, 1997, to retire outstanding bonded indebtedness in excess of the amount necessary to retire the debt on December 1, 1998, and would include any accrued investment income, interest, and penalties on delinquent accounts.

The bill would require the qualified local school district, by May 25, 2001, to transmit to the State Treasurer all excess debt levy retirement funds held by the district. The State Treasurer would have to deposit all transmitted excess debt levy retirement funds into the State Treasury to the credit of the State School Aid Fund.

Proposed MCL 211.905a

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The Saginaw City School District collected tax from a property tax millage that inadvertently exceeded the amount necessary to pay for a bond that the district retired in December 1998. Under the bill, the district would forward the excess to the State Treasurer for deposit in the School Aid Fund; then, the one-time credit would reduce the amount going to the Fund from State education taxes collected from the property taxpayers in the district. The district thus would have an appropriate method of returning the excess property tax revenue to the taxpayers.

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: J. Carrasco

A0102\s341a