

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 1204 (Substitute S-1 as reported)
Sponsor: Senator Don Koivisto
Committee: Finance

CONTENT

The bill would amend Public Act 77 of 1951, which provides for the taxation of low grade iron ore, to reduce the tax, and hold harmless school districts and local units of government that receive disbursements from the tax.

Under the Act, low grade iron ore mining property is subject to a specific tax equal to the average annual production in gross tons during the preceding five years, multiplied by 1.1% of the mine value per gross ton. The bill would reduce the multiplier from 1.1% to .75% beginning December 31, 2001, through December 31, 2006.

Currently, property taxed under Public Act 77 is removed from assessment and taxation under the General Property Tax Act, although the specific tax is collected in the same manner and at the same time as the property tax. Sums collected under Public Act 77 must be distributed by a township to school districts and local units of government in the same proportion as general property taxes are distributed. For specific taxes levied for school operating purposes, the amount that otherwise would be disbursed to a local school district must be paid instead to the State Treasurer and credited to the State School Aid Fund. The bill provides that the proceeds of the specific tax levied from December 31, 2001, through December 31, 2006, would have to be distributed to school districts and local units in the same amount that they would have been entitled to receive if the specific tax rate were 1.1%. After this distribution was made, the remaining proceeds would have to be deposited in the State School Aid Fund.

MCL 211.623 & 211.624

Legislative Analyst: George Towne

FISCAL IMPACT

The bill would reduce School Aid Fund revenues to the State by approximately \$1.5 million per year, starting with FY 2002-03. The bill would have no effect on local units.

Date Completed: 4-10-02

Fiscal Analyst: David Zin