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SFA**BILL ANALYSIS**

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Senate Bill 1204 (as introduced 3-19-02)
Sponsor: Senator Don Koivisto
Committee: Finance

Date Completed: 4-9-02

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 prohibit disbursement of the tax to a local school district or to the State School Aid Fund.

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 .55% beginning December 31, 2001.

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 for specific taxes levied after 2001 for school operating purposes, no amount could be disbursed to a local school district and no amount could be paid to the State Treasury and credited to the State School Aid Fund.

MCL 211.623 & 211.624

Legislative Analyst: George Towne

FISCAL IMPACT

The bill would reduce revenues to the State School Aid Fund by approximately \$1.5 million per year, starting with FY 2002-03. The effect on local units would depend upon each local unit's relative share of revenues distributed under the bill. For most units, the effect should be minimal because, while the bill would reduce collections under the tax by approximately 50%, removing the School Aid Fund allocation from the distribution of revenues should increase the share each unit receives. For most units the net effect should be minimal, although some local units could experience small increases or decreases in revenues.

The local unit impact assumes that a township treasurer would distribute the revenue currently sent to the State to the other local units that receive the other distributions. However, the bill would not explicitly allow such a reallocation. The bill would prohibit the share attributable to school operating purposes from being distributed to the School Aid Fund or to the local school district but does not indicate where the money would be distributed or if it could be distributed at all.

Fiscal Analyst: David Zin

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