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BILL ANALYSIS

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Senate Bill 978 (Substitute S-1 as reported)
Sponsor: Senator Cameron S. Brown
Committee: Finance

CONTENT

The bill would amend the State Education Tax Act to require cities and villages to collect the State education tax (SET), and retain \$2.50 per parcel, only if they levy no property tax during the summer other than the SET or village taxes (as currently provided); or, beginning in the summer of 2005, that portion of the number of mills allocated to a county by a county tax allocation board or authorized for a county through a separate tax limitation vote, if that portion of the number of mills allocated or authorized were not levied before the summer of 2005.

MCL 211.905b

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The fiscal impact of the bill depends on what base is used for comparison. Public Act 108 of 2004 changed the process for local units to obtain the \$2.50 per parcel allowed under the statute. Previously, local units remitted all State education tax revenue to the State, and eligible local units received \$2.50 per parcel, subject to appropriation. No funds were appropriated for FY 2003-04. Public Act 108 allowed eligible local units to retain the \$2.50 per parcel, before remitting revenue to the State.

The bill would alter the local units eligible to obtain \$2.50 per parcel for collecting the State education tax. Under current law, to be eligible, a city or township must not levy any summer taxes other than the State education tax or village taxes. Public Act (P.A.) 357 of 2004 shifted the collection of most county property taxes from the December levy to a summer levy beginning in 2005, and charged the unit responsible for collecting the State education tax with collecting the county taxes under the summer levy. As a result, P.A. 357 essentially rendered all local units ineligible for the \$2.50 per parcel reimbursement because now those local units will be collecting both the county taxes and the State education tax.

The bill would allow local units that collect during the summer no taxes other than the State education tax, the shifted county taxes, and village taxes to receive the \$2.50 per parcel. Compared with the law before P.A. 357, or with State and local revenue during FY 2003-04, the bill would no fiscal impact on the State or local units.

However, because the tax shift in P.A. 357 essentially made all local units ineligible for the \$2.50 per parcel, the bill would prevent the State from realizing a \$4.2 million increase in School Aid Fund revenue as a result of P.A. 357. Compared with current law, given the operation of P.A. 357, the bill would reduce School Aid Fund revenue by \$4.2 million.

This analysis is preliminary and will be revised as new information becomes available.

Date Completed: 10-4-04

Fiscal Analyst: David Zin

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