



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4536 (Substitute H-1 as passed by the House)
Sponsor: Representative Darwin Booher
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 12-12-06

CONTENT

The bill would amend the General Property Tax Act to require city and township assessors to prepare a separate assessment roll for State-owned property that is subject to payment in lieu of taxes (PILT).

The Act describes the classifications of assessable real property, including agricultural real property. This classification includes parcels assessed to the Department of Natural Resources and valued by the State Tax Commission. The bill would delete that provision.

Under the bill, the assessor of each city or township containing property subject to PILT under Subpart 14 of Part 21 of the Natural Resources and Environmental Protection Act (NREPA) would have to place that property on an assessment roll that was separate from the assessment roll prepared under Section 24 of the General Property Tax Act.

(Subpart 14 of Part 21 of NREPA provides for payments in lieu of taxes to local governments on land owned by the Department of Natural Resources, and requires the State Tax Commission to determine the valuation of that property. Section 24 of the General Property Tax Act requires assessors each year to make an assessment roll that identifies every person, and describes all of the real property, liable to be taxed in the local tax collecting unit. The roll must show each parcel's assessed value and tentative taxable value, and the percentage of value that is exempt from taxes levied for school operating purposes.)

The bill provides that, for purposes of calculating the debt limitation imposed by Article VII, Section 11 of the State Constitution, the separate assessment roll for property subject to PILT required under the bill would have to be combined with the assessment roll prepared under Section 24 of the General Property Tax Act. (Under Article VII, Section 11, a county may not incur any indebtedness that will increase its total debt beyond 10% of its assessed valuation.)

The bill states, "It is the intent of the legislature that this amendatory act shall not change the status of property subject to payment in lieu of taxes under subpart 14 of part 21 of the natural resources and environmental protection act...in regard to school operating mills levied under section 1211 of the revised school code...". (Under that section, the board of a school district may levy a limited number of mills for school operating purposes. Principal residences, qualified agricultural property, and qualified forest property are exempt from the levied mills, except as the exemption is reduced by a school board.)

FISCAL IMPACT

The bill would not increase or decrease total State or local revenue, assuming the interaction of the legislative intent and the changes in the definition of agricultural real property did not result in school operating mills' being levied on property subject to PILT. If such mills were levied on the affected property, the bill would increase State expenditures for payments in lieu of taxes by an unknown amount, to the extent that the increased amounts were appropriated, and decrease School Aid Fund expenditures (due to local units' generating more of the basic per pupil guarantee with locally levied taxes) by an unknown amount.

Regardless of the changes regarding mills levied for school operating purposes, the bill could alter the distribution of local unit revenue to the extent equalization and assessment were affected by placing PILT property on a separate tax roll.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.