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BILL ANALYSIS



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Senate Bill 1021 (Substitute S-3)
Senate Bill 1022 (Substitute S-1 as reported)
Sponsor: Senator Tom Casperson (S.B. 1021)
 Senator Darwin L. Booher (S.B. 1022)
Committee: Natural Resources, Environment and Great Lakes

CONTENT

Senate Bill 1021 (S-3) would amend Part 21 (General Real Estate Powers) of the Natural Resources and Environmental Protection Act (NREPA) to do the following:

- Increase the amount of the tax paid by the State to each county in which the State owns swamp and tax-reverted land from \$2 per acre to \$4 per acre, effective January 1, 2012; and require the tax to be increased annually by the lesser of the inflation rate or 5%.
- Require the State to make these tax payments in full.
- Revise the formula for assessing a parcel's value for the purpose of State payments in lieu of taxes (PILT) on purchased land to local assessing districts.

Currently, property valuations must be established as follows:

- For valuations established in 2004, the 2004 valuation was the valuation of the property in 2004 through 2008.
- In 2009 and each year after that, the valuation may not increase each year by more than the increase in the immediately preceding year in the general price level or 5%, whichever is less.
- If property is acquired after 2004, the initial valuation is the valuation for each subsequent year until the next adjustment occurs.

Under the bill, beginning in 2012, property valuations would be the greater of the value of the property calculated as described above, or the taxable value of the property calculated under Section 27a of the General Property Tax Act. (Under that section, the taxable value is the lesser of the following:

- The property's taxable value in the immediately preceding year minus any losses, multiplied by the lesser of 1.05 or the inflation rate, plus all additions.
- The property's current State equalized valuation (SEV).

Upon a transfer of ownership, the property's taxable value for the calendar year following the year of the transfer is the property's SEV for the calendar year following the transfer.)

Senate Bill 1022 (S-1) would amend Parts 21 and 511 (Commercial Forests) of NREPA to:

- Reduce PILT to a local assessing district by 5% for each month in which the district was late in submitting to the respective county its statement of the assessment of property for which PILT was claimed.

- Require the State to make full PILT to local assessing districts, and to counties for commercial forestland.
- If the State did not make full payment to all local assessing districts, subject the delinquent amount to the penalty and interest for delinquent taxes under the General Property Tax Act.

MCL 324.2150 & 324.2153 (S.B. 1021)
324.2154 & 324.51106 (S.B. 1022)

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The proposed PILT calculation would increase the eligibility amounts for local governments in each of the three PILT programs: Commercial Forest, Purchased Lands, and Swamp and Tax Reverted Property. Payments, however, would remain subject to appropriation. In the absence of increased appropriations, the higher amounts calculated pursuant to the bills would not be made. The bills would provide for the State to pay penalties to eligible local governments if the Purchased Lands payments were not paid in full; however, these penalties also would be subject to appropriation. The budgets for the Department of Treasury and School Aid include PILT appropriations. Appropriations for PILT in Public Acts 200 and 201 of 2012 total about \$17.4 million in FY 2012-13.

If the funding were appropriated in accordance with the proposal, State payments to local governments would increase by an estimated \$9.5 million to a total of approximately \$27.0 million in FY 2012-13, an increase of approximately \$9.3 million GF/GP, \$700,000 from the School Aid Fund, and savings of about \$400,000 in State restricted funds due to revisions based on prior-year actual payments. An increase in the payments for Swamp and Tax Reverted Lands from \$2 to \$4 per acre would increase the annual cost of the program by an estimated \$7.1 million GF/GP with inflationary increases in future years. The proposal to allow the taxable value to increase to current-year taxable value would increase payments by approximately \$1.5 million, consisting of an estimated \$361,200 GF/GP, \$572,800 School Aid Fund, and \$566,000 in State Restricted funds. The proposal for the State to apply PILT to special assessments would increase State costs for Purchased Lands by an unknown amount. Statewide, special assessments are about 1.0% of total property tax revenue, which suggests that this would not be a significant increase in cost. The State cost of the proposal to make PILT on Purchased Lands based on current millage rates (as opposed to the millage rates in effect in 2004) is unknown at this time. The requirement that payments for all programs be made in full with no proration would increase payments for all programs. These estimates depend on a number of assumptions, in particular those related to taxable value growth, and all amounts would be subject to appropriation. In addition, parcels covered by the PILT programs vary from year to year with acquisitions and sales.

The proposed penalty on local governments that submitted tax bills after the deadline would possibly decrease payments to local governments, if they submitted tax bills late in spite of the penalty.

Date Completed: 11-26-12

Fiscal Analyst: Elizabeth Pratt

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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.