

Legislative Analysis



REFUND EXCESS SCHOOL DEBT MILLAGE THROUGH STATE EDUCATION TAX CREDIT

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House Bill 4705 (reported without amendment)

Sponsor: Rep. Ed McBroom

Committee: Tax Policy

Complete to 5-13-13

A SUMMARY OF HOUSE BILL 4705 AS REPORTED FROM COMMITTEE 5-9-13

The bill would amend the State Education Tax (1993 PA 331) to require a "qualified school district" to transfer the amount of excess debt millage revenue collected to the Department of Treasury for deposit into the School Aid Fund and to provide for a credit against the State Education Tax (SET) levied in July 2013 for each parcel of property subject to the tax located in a qualified local school district.

The amount of the credit for a parcel would be calculated by multiplying the parcel's taxable value by the "applied millage rate", which is rate determined by dividing the amount of the excess debt millage revenue collected by the school district and transferred to the Department of Treasury by the total taxable value of property subject to the SET located within the qualified local school district.

A "qualified local school district" would be defined to mean a local school district that, on or after July 1, 2012, levied and collected a property tax millage for bonds that were retired on May 1, 2012 and were no longer outstanding as of July 1, 2012.

FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government.

BACKGROUND INFORMATION:

The bill is intended to correct the inadvertent collection of a school bonded debt millage by the Stephenson Area Public Schools (Menominee County). In May 2012, the district paid off a 12-year \$1.5 million school construction bond. At around the same time, however, the small Upper Peninsula school district also replaced its superintendent and consolidated its business operations with the intermediate school district. The district failed to inform the local tax collecting units that the bonds had been repaid and that the tax no longer needed to be collected. The 2.28 mill property tax continued to be collected after the bonds had been repaid, generating revenue on the order of \$400,000. This bill is modeled after 2001 PA 7 (MCL 211.905a), which created a similar refund mechanism after the Saginaw City School District inadvertently collected a property tax in excess of the amount needed to repay bonds that the district had been repaid. The State Education

Tax is now only collected in the summer property tax levy, which requires the bill to be acted upon rather quickly if taxpayers are to be made whole this year.

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