Legislative Analysis

Phone: (517) 373-8080
http://www.house.mi.gov/hfa

Analysis available at
http://www.legislature.mi.gov

LOCAL COMMUNITY STABILIZATION AUTHORITY AMENDMENTS

House Bill 5086 as introduced
Sponsor: Rep. David C. Maturen
Committee: Tax Policy
Complete to 10-17-17

SUMMARY:

HB 5086 would amend the Local Community Stabilization Authority (LCSA) Act to make various changes related to definitions, deadlines, calculations, and payments under the act.

The bill would make all the following changes.

Definitions

- Define "local authority" as any authority, excluding an authority created under the act or a tax increment finance authority (TIFA); and list "local authorities" in the definition of a municipality.
- Redefine the term "small taxpayer exemption loss" to stipulate that for all municipalities, the calculation of taxable value (TV) of commercial and industrial property for purposes of "small taxpayer exemption loss" does not include the TV of property exempt from millages under the Michigan Renaissance Zone Act. [Otherwise, the bill would not change the calculation of "small taxpayer exemption loss".]
- Redefine the term "personal property exemption loss" for municipalities that are not school districts, intermediate school districts (ISDs), or TIFAs.
    - Currently, the "personal property exemption loss" is defined as 2013 taxable value (TV) of commercial and industrial personal property minus the current year TV of commercial and industrial personal property minus the small taxpayer exemption loss.
    - The definition would change the calculation so that the small taxpayer exemption loss would be included only if it is greater than zero. This provision would begin for years after 2017.
- Stipulate that for all municipalities, as above, the calculation of TV of commercial and industrial personal property for purposes of "personal property exemption loss" does not include the TV of property exempt from millages under the Michigan Renaissance Zone Act.

Date Changes

The bill would make the following changes to deadlines in the act.

Action	Current Deadline	Deadline (and other changes) proposed in HB 5086
City or township assessor to report to county equalization director the current year TV of commercial and industrial personal property.	June 5	May 15
City or township assessor to notify the county equalization director of the increased value from expired tax exemptions; county equalization director then to report information to Department of Treasury (department).	June 5; June 20	May 31 (and would require assessor to notify department directly.)
County equalization director to report to department the current year TV of commercial and industrial personal property for each municipality in county.	June 20	May 31 (and would require 2013 TV data to be reported as well.)
County equalization director to provide department with 2013 and current year TV of commercial and industrial person property, for situations in which a municipality levies a millage in more than one county.	June 20, 2017	June 7
Municipality to report to department the millage rate levied or to be levied for payment of debt.	August 15	August 1
Department to calculate various municipalities' personal property exemption loss and small taxpayer exemption loss, and make various other adjustments and calculations.	November 7, 2017; and each September 7 thereafter	November 7, 2017; and each October 7 thereafter.
Department to make payment to county for county allocated millage.	November 20, 2017; and each September 20 thereafter	November 7, 2017; and each October 20 thereafter.

Currently under the act, the department must calculate and make available by each May 1 each municipality's "sum of the lowest rate of each individual millage levied in the period between 2012 and the year immediately preceding the current year." For calendar year 2018 and beyond, the bill would change the time period to "between 2014 and the year immediately preceding the current year." This calculation of millage rate, section 13(5), would then be inserted into various calculations for payments to: counties, townships, villages, cities, or local authorities that provide essential services (section 14); local school districts (section 15); TIFAs (section 16a); and municipalities that are not school districts, ISDs, or TIFAs, that receive payments from the remaining balance of the local community stabilization share fund.

Use of Funds

The bill would add a new subsection to section 17 of the act. This section describes the appropriation of funds from the LCSA. The new subsection would require municipalities to allocate LCSA payments received to the portion of the municipality's payment attributable to each millage levied by the municipality. That is, the bill would require that a municipality use the funds received in proportion to, and for the same purpose, of the millages levied by that municipality. Specifically, for counties that levy a road tax, the county would be required to distribute the LCSA revenue in the same manner as road millage revenue. This provision would not include the general operating millage, and would start with payments received beginning October 20, 2018.

Currently under the act, if a municipality receives a payment for a debt millage, it is required to use the payment to pay debt. If it does not use the payment to pay for debt, the amount not used for debt must be deducted from future payments. The bill would keep these provisions and add that if the payment is not used for debt because all debts have been repaid, the municipality could use the payment in any manner, and it would not be deducted from a subsequent payment.

Finally, the bill would remove a cap on the full distribution of local community stabilization share revenue to a municipality that is a county, township, village, city, or authority that provides essential services. Payment to these municipalities is currently limited by a calculation in section 14(1)(d) of the act. The bill would remove this limitation, and payment would be 100% of the amount calculated under section 14(2).

MCL 123.1345 et al.

FISCAL IMPACT:

The bill would have no fiscal impact on the state and an indeterminate fiscal impact on local units of government.

LCSA Distribution

Because the amount of use tax the LCSA can levy in any given year is contained in statute, the bill would have no state fiscal impact, although revising the definition such that the small parcel exemption may not be negative would likely alter the distribution of the available funding to the eligible municipalities. However, the data necessary to determine any differences is not available.

For FY 2017-18, the LCSA is authorized to collect $410.8 million in use tax revenue, an increase of $29.9 million. When the exemption against exempt manufacturing personal property is fully phased in, the LCSA will be authorized to collect about $575.0 million.

Reporting Requirements

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

Legislative Analyst: Patrick Morris
Fiscal Analyst: Jim Stansell
Ben Gielczyk