

LOCAL COMMUNITY STABILIZATION AUTHORITY AMENDMENTS

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House Bill 5086 reported from committee as (H-1)
Sponsor: Rep. David C. Maturen
Committee: Tax Policy
Complete to 11-15-17

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

BRIEF SUMMARY:

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

BRIEF FISCAL IMPACT:

The bill would have no fiscal impact on the state and an indeterminate fiscal impact on local units of government. See **FISCAL IMPACT**, below, for more information.

DETAILED SUMMARY:

The bill would make all of 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 include “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 subtracted 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.

- Redefine “school debt loss” and split the definition into two parts:
 - Retain the current definition for “every calendar year except calendar years 2018 and 2019.” (Currently, “school debt loss” is defined as revenue lost from all property and specific taxes levied for the payment of principal and interest of obligations approved by electors, or obligations pledging unlimited taxing power of a school district incurred before January 1, 2013, as a result of personal property exemptions.)
 - For calendar years 2018 and 2019, the definition would change to taxes approved or obligations incurred before January 1, 2015.

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
LCSA 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 as, the millages levied by that municipality. This provision would not include the general operating millage, and would start with payments received beginning October 20, 2018.

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; and for a millage levied by a municipality that participates in an intergovernmental conditional transfer, payment must be allocated in the same manner as that portion attributable to each municipality based on the terms of the transfer contract.

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 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:

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 are 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.

DISCUSSION:

According to the bill's supporters, the changes proposed in the bill represent a consensus among state agencies and local government associations involved in the recent reform of personal property taxes. Specifically, the provision to use 2014 as the base year for millage calculations is said to properly reimburse local units that may have changed their millage structure in 2012 or 2013.

POSITIONS:

Representatives of the following organizations testified in support of the bill:

- Michigan Department of Treasury (10-18-17)
- City of Rochester Hills (10-18-17)

Representatives of the following organizations indicated support of the bill:

- Michigan Townships Association (10-18-17)
- Michigan Municipal League (10-18-17)
- Michigan Association of Counties (10-18-17)
- Michigan Association of School Boards (11-1-17)
- Wayne RESA (11-1-17)
- Michigan Association of School Administrators (11-1-17)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.