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BILL



ANALYSIS

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House Bill 5086 (Substitute H-1 as passed by the House)
Sponsor: Representative David C. Maturen
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 5-22-18

CONTENT

The bill would amend the Local Community Stabilization Authority (LCSA) Act to do the following:

- **Modify deadlines the Department of Treasury, city and township assessors, municipalities, and other entities must meet to report information or perform certain calculations.**
- **Revise formulas used to determine municipalities' losses and to calculate Local Community Stabilization Fund payments.**
- **Require a municipality to allocate payments received, beginning October 20, 2018, based on the portion of the municipality's payment attributable to each millage levied by the municipality.**
- **Specify that Local Community Stabilization Fund payments for debt millage that were not used by a municipality for debt payments could be used by the municipality in any manner if all debts were repaid.**
- **Revise definitions of terms used in the calculations.**

Definitions

The Local Community Stabilization Authority Act provides for the levy of the local community stabilization share tax and the distribution of that revenue to municipalities (such as counties, cities, villages, townships, authorities, school districts, and community college districts). The local community stabilization share tax is the local share of the total use tax levied under State law. The distributions are based on a number of factors, including the type of municipality, whether it provides essential services, and the amount of revenue lost due to property tax exemptions for industrial and commercial property. The Act requires the Department of Treasury to make a number of calculations in order to determine the amount of a municipality's distribution.

The Act defines "personal property exemption loss" as one of the following:

- For a municipality that is not a local school district, intermediate school district (ISD), or tax increment finance authority (TIFA), the 2013 taxable value of commercial property and industrial personal property minus the current year taxable value of commercial personal property and industrial property and minus the small taxpayer exemption loss.
- For a municipality that is a local school district, ISD, or TIFA, the 2013 taxable value of commercial personal property and industrial personal property minus the current year taxable value of commercial personal property and industrial personal property.

Under the bill, for a municipality that is not a local school district, ISD, or TIFA, for years after 2017, the small taxpayer exemption loss would be subtracted if that loss were greater than zero. For any municipality, whether or not a school district, ISD, or TIFA, for millages from which renaissance zone property is exempt, the calculations would have to be adjusted to exclude the taxable value of commercial personal property and industrial personal property exempt under the Michigan Renaissance Zone Act.

The LCSA Act defines "school debt loss" as the amount of revenue lost from ad valorem property taxes and any specific tax specifically levied for the payment of principal and interest of obligations approved by the electors before January 1, 2013, or obligations pledging the unlimited taxing power of a local school district or ISD incurred before that date as a result of the exemption of industrial personal property and commercial personal property under the General Property Tax Act. Under the bill, this part of the definition would apply to every calendar year except calendar years 2018 and 2019. For calendar years 2018 and 2019, "school debt loss" would mean the amount of revenue lost from ad valorem property taxes and any specific tax specially levied for the payment of principal and interest of obligations approved by the electors before January 1, 2015, or obligations pledging the unlimited taxing power of a local school district or ISD incurred before January 1, 2015, as a result of the exemption of industrial personal property and commercial personal property under the General Property Tax Act.

The LCSA Act defines "small taxpayer exemption loss" as one of the following:

- For the 2014 calendar year, the 2013 taxable value of commercial personal property and industrial personal property minus the 2014 taxable value of commercial personal property and industrial personal property.
- For the 2015 calendar year and subsequent calendar years, the greater of the amount calculated above and the 2013 taxable value of commercial personal property and industrial personal property minus the 2015 taxable value of commercial personal property and industrial personal property.

Under the bill, for millages from which renaissance zone property is exempt, these calculations would have to be adjusted to exclude the taxable value of commercial personal property and industrial personal property exempt under the Michigan Renaissance Zone Act.

The definition of "municipality" in the LCSA Act includes authorities. The bill would refer, instead, to "local authorities". The bill would define "local authority" as any authority, excluding an authority created under the LCSA Act or a tax increment finance authority.

Deadline Modifications

The bill would change deadlines and related provisions in the Act as shown in Table 1.

Table 1

Event	Current Deadline	Proposed Change
The city and township assessor must report to the county equalization director the current year taxable value of commercial and industrial personal property for each municipality in the city or township.	June 5	May 15

Table 1 continued

Event	Current Deadline	Proposed Change
The equalization director for each county must report to the Department of Treasury the current year taxable value of commercial and industrial personal property for each municipality in the county.	June 20	May 31; and require the equalization director also to report the 2013 year taxable value.
Municipalities must report to the Department the millage rate levied or to be levied that year for a debt loss or school debt loss that is used to calculate an appropriation of certain funds under the Act.	August 15	August 1
The assessor for each city and township must report to the county equalization director the increased value from expired tax exemptions for each municipality that is subject to certain provisions and levies taxes in the city or township.	June 5	May 31
The Department must calculate and make adjustments to certain municipalities' personal property exemption losses according to a formula in the Act.	September 7	October 7
The Department must perform certain calculations according to a formula for each municipality that is a county, township, village, city, or authority that provides essential services.	September 7	October 7; and revise the formula.
The Department must calculate and make adjustments to certain municipalities' 2015 small taxpayer exemption less.	September 7	October 7
The Department must calculate and make adjustments to local school districts' personal property exemption losses.	August 15	October 7; and revise the formula.
The Department must calculate and make adjustments to intermediate school districts' personal property exemption losses.	August 15	October 7

Under the Act, for each municipality levying a millage in more than one county, the county equalization director responsible for compiling the municipality's taxable value under the General Property Tax Act must compile the municipality's current year taxable value of commercial personal property and industrial personal property. Under the bill, not later than June 20, 2015, June 20, 2016, June 20, 2017, and each June 7 thereafter, for each municipality levying a millage in more than one county, the county equalization director responsible for compiling the municipality's taxable value would have to compile and report to the Department the municipality's 2013 and current year taxable value of commercial personal property and industrial personal property.

Section 13(5) of the LCSA Act requires the Department to calculate and make available to each municipality by May 1 of each year that 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. Under the bill, this provision would apply to the 2016 and 2017 calendar years'

calculations. For the calendar year 2018 and subsequent years' calculations, the Department would have to calculate and make available to each municipality by May 1 of each year that municipality's sum of the lowest rate of each individual millage levied in the period between 2014 and the year immediately preceding the current year.

Under the Act, not later than June 20, 2016, and each June 20 thereafter, the equalization director for each county must report to the Department the increased value from expired tax exemptions for each county, township, village, city, or authority that provides essential services and that levies taxes in a city or township. For each of these municipalities that levies a millage in more than one county, the county equalization director responsible for compiling the municipality's taxable value under the General Property Tax Act must compile this information. The bill would delete these provisions.

Tax Increment Finance Authority Calculation

Under the LCSA Act, not later than June 15, 2016, and each June 15 thereafter, each municipality that is a tax increment finance authority must perform the following calculations, among others, for each of its tax increment financing plans:

- Calculate the total captured value of all industrial personal property and commercial personal property in the municipality that was a TIFA in 2013 and add any increased captured value for the current year.
- From the amount calculated above, subtract the total captured value of all industrial personal property and commercial personal property in the municipality that is a TIFA in the current year.

Then, the municipality must multiply the result of the second calculation by the sum of the lowest rate of each individual millage levied in the period between 2012 and the year immediately preceding the current year, to the extent the millage is subject to capture by that TIFA. The bill, instead, would require the municipality to multiply the result of the second calculation by each individual millage rate calculated under Section 13(5) of the Act, to the extent the millage was subject to capture by that tax increment finance authority.

Under the Act, for an individual millage rate not levied in one of the years between 2012 and the years immediately preceding the current year, the lowest millage rate is zero. A millage used to make the calculation above must be eligible to be levied against both real property and personal property. The bill would delete these provisions.

Local Community Stabilization Fund Payments

Under the Act, beginning calendar year 2016, the Local Community Stabilization Authority must distribute local community stabilization share revenue according to a certain order of priority. The Authority must distribute 100% of the amount calculated in Section 14(2) (which details the calculations the Department must make for each county, township, village, city, or authority that provides essential services). However, the amount distributed to a municipality may not exceed a certain amount calculated using a municipality's personal property exemption loss. The bill would delete the cap. The bill also would make various changes in the calculations determining the distribution of the Local Community Stabilization Fund.

For payments received beginning October 20, 2018, the bill would require a municipality to allocate payments received, up to 100% reimbursement, based on the portion of the municipality's payment attributable to each millage levied by the municipality. The portion of the payment allocated to each millage other than the general operating millage would have

to be considered restricted and recorded by the municipality in the same manner as the millage levied. Payments under these provisions for millage levied by a county under Public Act 283 of 1909 (a voter-approved levy for highway, road, and street purposes) would have to be allocated in the same manner as the millage levied under that Act. The term "100% reimbursement" would refer to certain amounts received under the LCSA Act.

Payments received beginning October 20, 2018, for a millage levied by a municipality participating in an intergovernmental conditional transfer by contract under Public Act 425 of 1984 (which permits the conditional transfer of property by contract between certain local units of government) would have to be allocated in the same manner as that portion attributable to each municipality based upon the terms of the contract agreed to under that Act.

The LCSA Act requires, a municipality to use the amount received under the local community stabilization revenue sharing calculation for debt millage to pay debt. If a payment for debt millage is not used to pay debt, the amount not used must be deducted from a subsequent payment. Under the bill, if all debts had been repaid, the amount received for debt millage could be used by the municipality in any manner and would not have to be deducted from a subsequent payment.

MCL 123.1345 et al.

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have no fiscal impact on the State, and would have varying fiscal impacts on local governments. It would have no impact on the total revenue received by the Local Community Stabilization Authority (LCSA); therefore, the bill would have no impact on State revenue or expenditures. However, by altering the calculations that determine the amounts individual local units receive as payments from the Authority, the bill could change the distribution of revenue received by local units. As a result, some local units could receive greater or lesser payments than under current law, although the data necessary to determine the differences are not available.

In fiscal year (FY) 2017-18, the LCSA is authorized to collect \$410.8 million in use tax revenue. The amount increases every year according to statute until FY 2027-28, when the Authority will be authorized to collect \$527.9 million. In years after FY 2027-18, the amount the LCSA will be authorized to collect will increase by the personal property growth factor as defined in the Use Tax Act.

Fiscal Analyst: Ryan Bergan

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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.