Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 698 (as enrolled)
Sponsor: Senator Jim Runestad
Committee: Finance

Date Completed: 12-17-21

CONTENT

The General Property Tax Act specifies that, notwithstanding any provision of the Act to the contrary, for the 2021 tax year only, personal property, including exempt personal property, that is located on tax day in an alternate location because of the COVID-19 pandemic may not be assessed in that alternate location, but instead must be assessed in its ordinary location.

The bill would extend this provision to the 2022 tax year.

MCL 211.14a

BACKGROUND

Section 13(1) of the Act generally requires all tangible personal property to be assessed to the owner of that property, if known, in the local tax collecting unit in which the tangible personal property is located on tax day. Section 14(1) requires all goods and chattels located in a local tax collecting unit other than that in which the owner of the goods or chattels resides to be assessed in the local tax collecting unit in which the goods or chattels are located. During the COVID-19 pandemic, however, may businesses opted or were required to allow their employees to work from home. This meant that substantial proportions of personal property upon which the tax is assessed were relocated from central locations to tax collecting units all over the State. Public Act 352 of 2020 amended the Act to require property located in a different location because of the pandemic to be assessed in its ordinary location for the 2021 tax year only. As of December 2021, the COVID-19 pandemic is ongoing, and many employees continue to work at home and will continue to do so for the near future.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have an indeterminate impact on local revenue of likely limited magnitude in the aggregate. The revenue impact could be meaningful for specific local units, depending on whether the impact was compared to previous years or what could happen in tax years 2021 and 2022 as a result of COVID-19. As this bill extends the provisions of the section from just the 2021 tax year to 2021 and 2022 only, the marginal impact would be limited. For property that has been relocated to an alternate location because of the COVID-19 pandemic, the impact would depend on whether the tax rate in the alternate location was greater than or less than the tax rate in the ordinary location. Absent the bill, property located in an alternate location on tax day would generate additional tax revenue, compared to previous years and what would have happened absent the COVID-19 pandemic, for the local units associated with the alternate locate. Similarly, absent the bill, local units associated with the ordinary location would receive less revenue compared to previous years and what would have happened absent the COVID-19 pandemic. Any impacts would depend on the specific value of affected property and the tax rates in the affected local units.

The bill would have no impact on State revenue under the State Education Tax. Under most circumstances, the bill would have no impact on School Aid Fund expenditures (as a result of mills levied for school operating purposes). The State Education Tax is levied at six mills regardless of the location. Except for a few hold-harmless jurisdictions, the number of mills levied for school operating purposes is fixed and does not vary by jurisdiction. While the location of the property would affect which school districts generated revenue from school operating mills, and thus the revenue provided by the State to meet the foundation allowance, in aggregate the changes across all increases and decreases would total zero. Because the bill would not affect a district's foundation allowance, the bill would not affect any individual school district's revenue.

Fiscal Analyst: Ryan Bergan

SAS\S2122\s698es