Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 698 (as reported without amendment)
Sponsor: Senator Jim Runestad
Committee: Finance

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 was located on tax day in an alternate location because of the COVID-19 pandemic could not be assessed in that alternate location but instead would have to be assessed in its ordinary location.

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

MCL 211.14a Legislative Analyst: Christian Schmidt

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 is compared to previous years or what could happen in tax years 2021 and 2022 as a result of COVID-19. As this bill only extends the provisions of the section from just the 2021 tax year to both 2021 and 2022, 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.

Date Completed: 11-1-21 Fiscal Analyst: Ryan Bergan