Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1060 (Substitute S-2 as reported)
Senate Bill 1061 (Substitute S-2 as reported)
Senate Bill 1062 (Substitute S-2 as reported)
Sponsor: Senator Mark Huizenga (S.B. 1060)
Senator Kimberly LaSata (S.B. 1061)
Senator Michael MacDonald (S.B. 1062)
Committee: Finance

CONTENT

Senate Bill 1060 (S-2) would amend the General Property Tax Act to do the following:

-- Specify that the current framework for claiming an exemption for eligible personal property would apply only to property with a combined true cash value of less than $80,000.
-- Require a claimant for an exemption for eligible personal property with a combined true cash value of equal to or greater than $80,000 and less than $180,000 to file a statement of assessable personal property and a statement attesting to the combined true cash value.
-- Increase, from 1.0% to 1.25%, the interest rate payable on an additional or supplemental tax bill resulting from the rescission of an exemption on eligible personal property.
-- Allow an assessor to deny a claim for an exemption under the bill and prescribe the procedures for denial.

Senate Bill 1061 (S-2) would amend the Michigan Trust Fund Act to create the "Local Government Reimbursement Fund" and to provide for the disposition of money from the Fund.

Senate Bill 1062 (S-2) would amend the Use Tax Act to specify that, beginning with the fiscal year ending September 30, 2024, and each fiscal year thereafter, from the money received and collected under the Act for the State share, $75.0 million would have to be deposited annually into the Local Government Reimbursement Fund.

The bills are tie-barred. Senate Bill 1060 (S-1) would take effect on December 31, 2022. Senate Bills 1060 (S-1) and 1061 (S-1) are described in greater detail below.

MCL 211.9o et al. (S.B. 1060) Legislative Analyst: Jeff Mann
Proposed MCL 12.253a (S.B. 1061)
MCL 205.111 (S.B. 1062)

FISCAL IMPACT

Beginning fiscal year (FY) 2023-24, the bills would reduce State General Fund revenue by $75.0 million per year, increase revenue to the Local Government Reimbursement Fund by the same amount, and increase local unit revenue by any amount appropriated from the Local Government Reimbursement Fund. The bill would also change the distribution of payments made by the Local Community Stabilization Authority (LCSA) to local units, with the most notable changes being that some local units could be reimbursed twice for certain property tax losses while other local units would receive lower payments than under current law.

The bills contain language that make it difficult to determine how the changes would actually be implemented. For example, Senate Bill 1061 (S-2) indicates that expenditures from the Local Government Reimbursement Fund would be subject to appropriation, but then indicates that if the Fund balance were insufficient to compensate all municipalities, the payments would be prorated based not upon the amount appropriated, but on the Fund balance. As a result, aggregate reimbursements calculated under the bill could exceed the amount appropriated. Similarly, Senate Bill 1060 (S-2) would require local tax collecting units to submit information to Treasury necessary to compute payments, but Senate Bill 1061 (S-2) appears to indicate that payments are to be made to individual municipalities rather than local tax collecting units. None of the bills indicate how the Department or local units would calculate lost revenue.

Because the bills would not alter the calculation formulas administered by the LCSA for calculating payments for personal property tax exemptions, the bills would create situations in which some local units effectively would be reimbursed twice for revenue losses attributable to Section 9o(2)(b) in Senate Bill 1060 (S-2), while other local units would lose revenue, they otherwise would receive from the LCSA. Payments from the LCSA are calculated based on a variety of factors, including each local unit's total taxable value relative to either 2013 and/or 2015. The formulas also calculate payments relative certain statewide totals. The exemption in 9o(2)(b) would lower the taxable values in some local units, and those local units would receive greater payments from the LCSA as a result of the exemption, partially or entirely duplicating the reimbursements the local units would receive under Senate Bill 1061 (S-2). For local units without exempt property under 9o(2)(b), because the LCSA payments are made relative to statewide total, those units would have a smaller relative loss and would receive less in LCSA payments relative to current law.

Because payments under Senate Bill 1061 (S-2) would subject to appropriation, the possibility exists that an appropriation could be less than either total reimbursement claims, the $75.0 million earmark under Senate Bill 1062 (S-2), and/or the balance in the Fund. A balance in the Fund would not automatically lapse to the General Fund but could potentially be transferred to the General Fund or other funds under a legislative transfer.

Date Completed: 6-23-22 Fiscal Analyst: David Zin