

Legislative Analysis



LOCAL GOVERNMENT REIMBURSEMENT FUND

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4553 as introduced
Sponsor: Rep. John Fitzgerald

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

House Bill 4554 as introduced
Sponsor: Rep. Denise Mentzer

Committee: Tax Policy
Complete to 9-13-23

SUMMARY:

House Bills 4553 and 4554 would amend different acts to create the Local Government Reimbursement Fund and provide for the deposit of use tax revenue in the fund. The fund would be used to reimburse municipalities for a small business personal property tax exemption proposed by Senate Bill 331.¹

House Bill 4553 would amend the Michigan Trust Fund Act to create the Local Government Reimbursement Fund in the state treasury. The state treasurer would deposit money and assets received under the amendments to the Use Tax Act proposed by House Bill 4554 or from any other source. The investment of the fund would be directed by the state treasurer, and interest and earnings from those investments would be credited to the fund. Money would not lapse to the general fund at the close of the fiscal year.

The Department of Treasury would expend money from the fund, upon appropriation, only to compensate *municipalities* on or before May 31 annually, beginning in 2024, for revenue lost during the immediately preceding property tax year as a result of exemptions claimed under changes to the General Property Tax Act proposed by Senate Bill 331. If the money in the fund were insufficient to fully compensate all municipalities for the lost revenue, the payments would be prorated among the municipalities.

Municipalities would include, but not be limited to, counties, cities, villages, townships, local authorities, local school districts, intermediate school districts, community college districts, libraries, tax increment finance authorities, and other local and intergovernmental taxing units.

MCL 12.252 and proposed MCL 12.253a

House Bill 4554 would amend the Use Tax Act to require \$75.0 million in use tax revenue to be deposited into the Local Government Reimbursement Fund each fiscal year beginning with the fiscal year ending September 30, 2024.

MCL 205.111

The bills are tie-barred to each other and to Senate Bill 331, which means that none of them can take effect unless all three are enacted.

¹ <http://legislature.mi.gov/doc.aspx?2023-SB-0331>

BACKGROUND:

Taken with Senate Bill 331, the bills are identical to Senate Bills 1060, 1061, and 1062 of the 2021-22 legislative session.² Those bills were passed by the Senate but did not advance further.

FISCAL IMPACT:

As written, the bills would reduce use tax revenue accruing to the general fund by \$75.0 million and transfer that amount to the Local Government Reimbursement Fund, which will be used to reimburse local governments for losses resulting from increasing the small taxpayer exemption threshold from \$80,000 of true cash value to \$180,000.

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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.

² <http://legislature.mi.gov/doc.aspx?2022-SB-1061>