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House Bill 4084 (as reported without amendment)

Sponsor: Representative Nate Shannon

House Committee: Tax Policy

Senate Committee: Finance, Insurance, and Consumer Protection

CONTENT

The bill would amend the State Essential Services Assessment Act to do the following:

- -- Allow a property owner to retroactively receive a property tax exemption and pay the Essential Services Assessment (ESA) if the 2021 paperwork for that exemption were not properly filed due to the COVID-19 pandemic and the property was otherwise eligible.
- -- Prescribe the process that the State Tax Commission would have to follow after approving or denying the required paperwork.
- -- Create the Late-Qualifying Eligible Manufacturing Personal Property Tax Reimbursement Fund within the Department of Treasury.
- -- Prescribe how money could be spent from the Fund.

Proposed MCL 211.1057a

BRIEF RATIONALE

The ESA is a State specific tax on personal property that is exempt from property taxes at the local level because property meets certain eligibility requirements, such as being qualified manufacturing or industrial personal property. According to testimony, due to the COVID-19 pandemic, some businesses were unable to file the appropriate paperwork in time to receive this exemption and it has been suggested that these businesses be able to retroactively file.

Legislative Analyst: Eleni Lionas

FISCAL IMPACT

The bills would reduce State and local revenue and increase administrative costs for the State by an unknown, though likely minimal, amount. The number of properties that would qualify for the retroactive exemptions is unknown. The bill would reduce State Education Tax (SET) revenue and local property tax revenue by an amount that would depend on the number and taxable value of the properties that qualified for a retroactive personal property tax exemption. Local revenue changes also would depend on local millage rates. The General Fund reimburses the School Aid Fund (SAF) for reductions in SET revenue and the increased cost of the foundation allowance due to reduced property tax collections; however, the total reimbursement for FY 2021-22 is estimated to be \$1.5 million, and the change in the bill would increase that amount by a small fraction.

The distribution of personal property tax reimbursement payments from the Local Community Stabilization Authority (LCSA) to eligible local units would change somewhat based on the distribution of exempt property among local units of government. The total amount of LCSA payments, however, would not change as the total of all personal property reimbursements each year is set in statute. State revenue from the ESA would increase by an unknown

hb4084/2324 Page 1 of 2

amount, although, because of the difference in tax rates between the ESA and the SET, the increase would be less than the increased cost to the General Fund from SAF reimbursement.

The Department of Treasury would have additional administrative costs to administer the Late-Qualifying Eligible Manufacturing Personal Property Tax Reimbursement Fund and to make distributions.

Date Completed: 6-9-23 Fiscal Analyst: David Zin

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