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

BILL ANALYSIS

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

House Bill 4926 (as reported without amendment)
Sponsor: Representative Brenda Carter
House Committee: Tax Policy
Senate Committee: Finance, Insurance, and Consumer Protection

CONTENT

The bill would amend the General Property Tax Act to require personal property located in an alternate location on tax day to be assessed in its ordinary location. The Act currently requires personal property to be assessed in this manner only for the 2021, 2022, and 2023 tax years if the property is in an alternate location due to the COVID-19 pandemic.

MCL 211.14a

BRIEF RATIONALE

During the COVID-19 pandemic many businesses opted to or were required to allow employees to work from home; this meant that significant portions of personal property upon which property tax is assessed were relocated from original business locations to alternate locations in the State. Public Act 164 of 2021 added the provision that the bill would amend, creating a COVID-19-specific solution to address concerns about property tax being unassessed on some relocated personal property. Because the "work from home" or "hybrid" schedule has remained an option for many employees, it has been suggested that the COVID-19-specific solution should continue indefinitely.

Legislative Analyst: Eleni Lionas

FISCAL IMPACT

The bill would have no impact on State revenue or expenditures and an indeterminate impact on local revenue.

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.

The bill would have an indeterminate fiscal impact on local revenue of likely limited magnitude in the aggregate. The revenue impact could be meaningful for specific local units. As this bill would extend the provisions of the Section from the 2021 to 2023 tax years indefinitely, the marginal impact would be limited. For property that has been relocated to an alternate location, 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 relocation, 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.

Date Completed: 10-20-23 Fiscal Analyst: David Zin