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BILL ANALYSIS

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House Bill 5371 (Substitute H-2 as passed by the House)
House Bill 5372 (Substitute H-2 as passed by the House)
House Bill 5373 (Substitute H-2 as passed by the House)
House Bill 5375 (Substitute H-2 as passed by the House)
House Bill 5376 (Substitute H-2 as passed by the House)
House Bill 5377 (Substitute H-2 as passed by the House)
House Bill 5378 (Substitute H-2 as passed by the House)
Sponsor: Representative Willis Bullard, Jr.
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 5-13-96

CONTENT

The bills would amend seven Acts to provide that special assessments on property could be based on the property's "taxable value" or its State equalized valuation (SEV) for 1995, and would have to be based on SEV in subsequent years.

(A special assessment is an assessment on property levied for a specific purpose, such as lighting, sewers, or water, that benefits the property subject to the special assessment, and is levied separately from general property taxes. Pursuant to the assessment cap placed in the Constitution by the voters in 1994 the assessment on a parcel of property can increase, from one year to the next, only by the lesser of 5% or the rate of inflation; once a parcel is sold the property is assessed at its market value and the new cap begins. Both the "taxable value" and the SEV of property are calculated each year; the taxable value reflecting the value at which the property is taxed pursuant to the assessment cap, and the SEV reflecting the property's increase (or decrease) in market value.)

Following is a detailed description of each bill.

House Bill 5371 (H-2)

The bill would amend the General Property Tax Act to provide that a special assessment levied on property in 1996 and thereafter would have to be levied on the property's SEV; a special assessment levied for 1995 could be levied on either the property's SEV or the property's taxable value.

Currently, under the Act, property deeded to the State for nonpayment of property taxes can be redeemed according to the specified procedures. If property to be redeemed has been exempt from taxes levied in any year after foreclosure because it was deeded to the State, the amount to be paid must be computed by applying any special assessment and property taxes to the property's most recent SEV. The bill provides the following:

- For general property taxes levied for 1995 and thereafter, the amount to be paid would have to be computed using the most recently established taxable value of the property.
- For special assessments levied in 1995, the amount to be paid would have to be computed using either the most recently established taxable value or most recently established SEV of the property.
- For special assessments levied after 1995, the amount to be paid would have to be computed using the most recently established SEV of the property.

House Bill 5372 (H-2)

The bill would amend Public Act 246 of 1931, which provides for the construction of sidewalks and pavements along highways, and the lighting of highways, by counties and townships, to base the apportionment of costs for lighting on a local unit of government's SEV after 1995.

Currently, under the Act, a county can provide for the lighting of roads, highways, and bridges. The board of county road commissioners can pay for the lighting from available highway funds under its control; however, if the funds are unavailable, the county board of commissioners can vote to require that the costs of the lighting be apportioned to the townships and cities in the county, based upon their respective SEVs. The bill provides that for 1995 the sum apportioned to the cities and townships could be based on their taxable values or their SEVs. After 1995 the sum would have to be apportioned based on the townships' and cities' SEVs.

House Bill 5373 (H-2)

The bill would amend Public Act 188 of 1954, which allows townships to make public improvements and levy special assessments to pay for the projects, to provide that if a special assessment were levied in 1995, the amount assessed against each parcel of land would be the proportionate amount of the whole sum to be levied against all parcels of land in the special assessment district, as either the taxable value of the parcel bore to the total taxable value of all parcels in the special assessment district, or the SEV of the parcel bore to the total SEV of all parcels in the special assessment district. After 1995, if a special assessment were levied, the amount assessed against each parcel of land would be based upon its SEV.

House Bill 5375 (H-2)

The bill would amend Public Act 33 of 1955, which allows certain local units of government to provide for police and fire protection and to levy special assessments to pay for the equipment, to provide that appropriations to pay for the equipment would have to be based upon SEV after 1995.

Currently, under the Act, to pay for police and fire vehicles, apparatus, equipment, and housing a township may, by resolution, provide for the appropriation of general or contingent funds; the annual appropriation cannot exceed 10 mills of the SEV of the area in which the services are to be provided. The bill provides that for 1995 the appropriation could not exceed 10 mills of either the taxable value or the SEV of the area to be served; after 1995 the appropriation could not exceed 10 mills of the area's SEV.

House Bill 5376 (H-2)

The bill would amend the Township and Village Public Improvement and Public Service Act to provide that after 1995 special assessment levies would be based on SEV.

Currently, under the Act, a special assessment installment for one year for an improvement authorized under the Act cannot exceed 15% of a parcel's SEV; the total assessment installments for a combination of improvements cannot exceed 45% of the property's SEV. The bill provides that for 1995 the 15% and 45% limits could apply to either the property's SEV or taxable value; after 1995 the limits would have to apply to a property's SEV.

House Bill 5377 (H-2)

The bill would amend Public Act 107 of 1941, which authorizes townships to provide water and sewer services and facilities and levy special assessments to pay for the services and facilities, to provide that for special assessments levied in 1995 the assessments could be levied against either the taxable value or the SEV of a parcel subject to a special assessment. After 1995 the special assessment would have to be levied against the property's SEV.

House Bill 5378 (H-2)

The bill would amend Public Act 157 of 1905, which allows townships to acquire and maintain parks, to provide that the current budget limit would be based upon a township's SEV after 1995.

Currently, under the Act, a township park commission must submit to the township board a budget for parks and recreation that cannot exceed 1.5 mills of the township's SEV. The bill provides that if a special assessment were levied for township parks, for 1995 the budget could not exceed 1.5 mills of the township's taxable value or its SEV; after 1995 the budget could not exceed 1.5 mills of the township's SEV. Further, currently, if a township has no outstanding indebtedness and wishes to acquire lands for parks and recreation, the township board may authorize the purchase or condemnation of the land if the acquisition cost is less than 1% of the township's SEV. The bill provides that for 1995 the 1% limit could be based on the township's taxable value or SEV; after 1995 the 1% limit would be based on the township's SEV.

Proposed MCL 211.44c (H.B. 5371)
MCL 41.290 (H.B. 5372)
41.725 (H.B. 5373)
41.801 (H.B. 5375)
41.414 (H.B. 5376)
41.350k (H.B. 5377)
41.426c & 41.426d (H.B. 5378)

Legislative Analyst: G. Towne

FISCAL IMPACT

The bills specify that special assessments could be based on either the "taxable value" or the "state equalized valuation" for 1995. The bills also specify that special assessments would have to be based on the SEV for 1996 and subsequent years. Local units that use taxable values for special assessments would increase special assessment collections by using the SEV.

Fiscal Analyst: R. Ross

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.