
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 13 (as introduced 1-8-97)
Sponsor: Senator Bill Schuette
Committee: Finance

Date Completed: 10-27-97

CONTENT

The bill would amend the General Property Tax Act to phase out the application of the property tax, over a 10-year period, to all personal property except property acquired during a tax year.

Commonly known as the "reverse New Jersey" plan, the bill would exempt from taxation, in 1996, property that had been taxed in all of the preceding 10 years; in 1997, the bill would exempt property that had been taxed in all of the preceding nine years; in 1998, property that had been taxed in all of the preceding eight years; etc. For tax year 2005 and each year thereafter, all personal property that had been subject to the tax in any preceding tax year would be exempt from taxation.

Proposed MCL 211.9f

Legislative Analyst: G. Towne

FISCAL IMPACT

Beginning in 1996 this bill would exempt from taxation personal property that was greater than 11 years old. In subsequent years, the exemption from taxation of personal property would be based on a declining age of the property. In tax year 2005 and beyond only personal property not taxed the previous year would be taxed. The current level of State, local, and school personal property tax collections totals \$1.5 billion. The table below shows a 10-year period of estimated personal property tax collections and the estimated fiscal impact of Senate Bill 13. An exemption of property that was taxed in the previous 10-year period would reduce total State and local property tax revenue by \$300.0 million in the first year. Of this amount, local governments would lose \$123.3 million and local school property tax revenue would decline by \$123.9 million. State government revenue from the State education property tax and the utility property tax would decline by \$26.4 million; however, due to the State's guaranteed school foundation allowance the State also would have to reimburse the schools for their loss in personal property taxes, which would bring the total State cost to \$176.7 million. The data assume a constant growth rate from 1997 through 2005 in the total personal property tax collections of 5.2%.

Revenue Loss Due to Senate Bill 13
(millions of dollars)

Calendar Year	Total Personal Property Tax Collections	Revenue Loss Due to "Reverse New Jersey" Plan				
		Combined State & Local	Local Government Revenues ¹⁾	State Revenues	School Revenues	Total State Cost ²⁾
1996	\$1,500.0	\$300.0	\$123.3	\$52.8	\$123.9	\$176.7
1997	1,604.9	449.4	184.7	79.1	185.6	264.7
1998	1,688.7	607.9	249.9	107.0	251.1	358.1
1999	1,776.9	781.8	321.3	137.6	322.9	460.5
2000	1,869.6	972.2	399.6	171.1	401.5	572.6
2001	1,967.2	1,180.3	485.1	207.7	487.5	695.2
2002	2,069.9	1,407.5	578.5	247.7	581.3	829.0
2003	2,177.9	1,655.2	680.3	291.3	683.6	974.9
2004	2,291.6	1,924.9	791.2	338.8	795.0	1,133.8
2005	2,411.2	2,218.3	911.7	390.4	916.2	1,306.6

¹⁾ Local revenues not reimbursed by State.

²⁾ Includes State revenue loss and hold harmless replacement revenue for K-12 schools' and ISDs' loss in property tax.

Fiscal Analyst: R. Ross

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