

**SUBSTITUTE FOR
SENATE BILL NO. 1072**

A bill to provide for the reimbursement of certain funds to local taxing units; to create certain funds; and to set forth the powers and duties of certain state departments and state officials.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "personal property tax exemption reimbursement act".

3 Sec. 2. As used in this act:

4 (a) "Category of political subdivision of this state" or
5 "category" includes, but is not limited to, the following:

6 (i) Counties.

7 (ii) Cities.

8 (iii) Villages.

9 (iv) Townships.

1 (v) Authorities.

2 (vi) Local school districts.

3 (vii) Intermediate school districts.

4 (viii) Community college districts.

5 (ix) Libraries.

6 (x) Other local taxing units.

7 (b) "Certificated credit" means that term as defined in
8 section 107 of the Michigan business tax act, 2007 PA 36, MCL
9 208.1107.

10 (c) "Commercial personal property" means personal property
11 classified as commercial personal property under section 34c of the
12 general property tax act, 1893 PA 206, MCL 211.34c.

13 (d) "Debt mill loss" means revenue loss associated with debt
14 mills that were levied in the 2012 fiscal year and that have not
15 expired or been subsequently renewed.

16 (e) "Direct integrated support" means research and development
17 functions, testing and quality control functions, engineering
18 functions, and warehousing functions necessary for personal
19 property that is the result of industrial processing.

20 (f) "Economically distressed local taxing unit" means a local
21 taxing unit that meets 1 or more of the following conditions:

22 (i) Has entered into a consent agreement or has an emergency
23 manager appointed under the local government and school district
24 fiscal accountability act, 2011 PA 4, MCL 141.1501 to 141.1531, or
25 any successor statute.

26 (ii) Has a projected deficit in the general fund for the
27 current fiscal year in excess of 5% of the general fund revenue.

Senate Bill NO. 1072 as amended May 10, 2012

1 (iii) Has a bond rating that is less than investment grade
2 according to a recognized bond rating agency.

3 (iv) Has had a smaller increase or greater decline in taxable
4 valuation than the statewide change in taxable valuation in 3 of
5 the immediately preceding 5 years.

6 (v) Is determined to be economically distressed by the
7 department of treasury.

8 (g) "Eligible manufacturing personal property" means all
9 personal property that is located on a parcel of real property if
10 that personal property is used more than 50% of the time in
11 industrial processing or in direct integrated support. The
12 percentage of use of personal property in industrial processing or
13 in direct integrated support shall be determined in the following
14 manner:

15 (i) Multiply the true cash value of each individual item of
16 personal property located on that parcel of real property by its
17 percentage of use in industrial processing or in direct integrated
18 support.

19 (ii) Add the result of calculation under subparagraph (i) for
20 all personal property located on that parcel of real property.

21 (iii) Divide the result of the calculation under subparagraph
22 (ii) by the total true cash value of all personal property located
23 on that parcel of real property.

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Senate Bill No. 1072 as amended May 10, 2012

1 (h)>> "Fund" means the personal property tax reimbursement fund
2 created in section 3.

3 <<(i)>> "General property tax act" means the general property tax
4 act, 1893 PA 206, MCL 211.1 to 211.155.

5 <<(j)>> "Industrial personal property" means personal property
6 classified as industrial personal property under section 34c of the
7 general property tax act, 1893 PA 206, MCL 211.34c.

8 <<(k)>> "Industrial processing" means the conversion or
9 conditioning of tangible personal property by changing the form,
10 composition, quality, combination, or character of the property for
11 ultimate sale at retail or for use in the manufacturing of a
12 product to ultimately be sold at retail. Industrial processing does
13 not include the generation of electricity for sale.

14 <<(l)>> "Local taxing unit" means any political subdivision of
15 this state, including, but not limited to, a county, city, village,
16 township, authority, intergovernmental entity, local school
17 district, intermediate school district, community college district,
18 library, or any other entity that collected ad valorem taxes levied
19 on commercial personal property or industrial personal property
20 before January 1, 2016, which commercial personal property or
21 industrial personal property is exempt from the collection of ad
22 valorem property taxes under the general property tax act after
23 December 30, 2015.

24 <<(m)>> "Lost tax capture" means a reduction in captured tax
25 increment finance revenues to the extent that the amount of the
26 reduction does not exceed the authority's debt service obligation
27 for that fiscal year for obligations issued in or prior to the 2012

Senate Bill No. 1072 as amended May 10, 2012

1 fiscal year.

2 <<(n)>> "Tax increment financing authority" means an authority or
3 other entity that captures taxes under 1 or more of the following:

4 (i) 1975 PA 197, MCL 125.1651 to 125.1681.

5 (ii) The tax increment financing authority act, 1980 PA 450,
6 MCL 125.1801 to 125.1830.

7 (iii) The local development financing act, 1986 PA 281, MCL
8 125.2151 to 125.2174.

9 (iv) The brownfield redevelopment financing act, 1996 PA 381,
10 MCL 125.2651 to 125.2672.

11 (v) The corridor improvement authority act, 2005 PA 280, MCL
12 125.2871 to 125.2899.

13 (vi) The historical neighborhood tax increment finance
14 authority act, 2004 PA 530, MCL 125.2841 to 125.2866.

15 (vii) The neighborhood improvement authority act, 2007 PA 61,
16 MCL 125.2911 to 125.2932.

17 (viii) The water resource improvement tax increment finance
18 authority act, 2008 PA 94, MCL 125.1771 to 125.1794.

19 (ix) The private investment infrastructure funding act, 2010 PA
20 250, MCL 125.1871 to 125.1883.

<<(o) "Voter-approved qualified mill loss" means revenue lost
associated with voter-approved qualified mills.

(p) "Voter-approved qualified mills" means a millage levied
in the 2012 fiscal year or that will be levied in a subsequent fiscal
year for a specific purpose or activity as stated in the question
presented to and approved by the voters prior to the 2013 fiscal
year and that is not a general operating millage for a county, city,
village, or township.>>

21 Sec. 3. (1) The personal property tax reimbursement fund is
22 created within the state treasury.

23 (2) The state treasurer may receive money or other assets from
24 any source for deposit into the fund. The state treasurer shall
25 direct the investment of the fund. The state treasurer shall credit
26 to the fund interest and earnings from fund investments.

27 (3) Money in the fund at the close of the fiscal year shall

Senate Bill No. 1072 as amended May 10, 2012

1 remain in the fund and shall not lapse to the general fund.

2 (4) The department of treasury shall be the administrator of
3 the fund for auditing purposes.

4 (5) The department of treasury shall expend money from the
5 fund, upon appropriation, only to reimburse local taxing units and
6 tax increment financing authorities for any reduction in revenue
7 resulting from the exemption of certain personal property from the
8 collection of taxes under the general property tax act.

9 Sec. 4. (1) Beginning in the 2013 fiscal year and each fiscal
10 year thereafter, subject to subsection (2), the department of
11 treasury shall determine the debt mill loss <<and voter-approved
12 qualified mill loss>> for each local taxing
13 unit as a result of an exemption initially effective after December
14 30, 2012 of industrial personal property, eligible manufacturing
15 personal property, and commercial personal property.

16 (2) In order to be eligible for reimbursement under this act,
17 each local taxing unit shall submit to the department of treasury,
18 within 180 days after the end of its 2012 fiscal year, in a form
19 prescribed by the department of treasury, the number of debt mills
20 levied in fiscal year 2012 <<and the number of voter-approved
21 qualified mills approved by the voters prior to the 2013 fiscal
22 year that are levied in fiscal year 2012 or will be levied in a
23 subsequent fiscal year>>.

24 (3) The department of treasury shall submit the total amount
25 of debt mill loss determined for all <<and voter-approved
26 qualified mill loss>> local taxing units in this
27 state to the chair and minority vice-chair of the appropriations
committees of the senate and the house of representatives.

28 Sec. 5. (1) Beginning in the 2016 fiscal year and each fiscal
29 year thereafter, subject to subsection (2), the department of
30 treasury shall prepare an estimate for each category of political
31 subdivision of this state of the aggregate amount by which revenue

Senate Bill No. 1072 as amended May 10, 2012

1 lost in that fiscal year by each individual local taxing unit in
2 that category as a result of an exemption initially effective after
3 December 30, 2012 of industrial personal property, eligible
4 manufacturing personal property, and commercial personal property
5 exceeds 2% of the <<general fund>> revenue in the 2012 fiscal
6 year of that local taxing unit, plus the aggregate amount of lost
7 tax capture for each tax increment financing authority in that
8 category in that fiscal year as a result of the exemption. However,
9 in the case of an economically distressed local taxing unit, the
10 department of treasury may consider the amount by which revenue
11 lost in that fiscal year as a result of an exemption initially
12 effective after December 30, 2012 of industrial personal property,
13 eligible manufacturing personal property, and commercial personal
14 property exceeds 1% of the <<general fund>> revenue in the 2012
15 fiscal year of that economically distressed local taxing unit. In
16 preparing the estimates under this subsection, the department of
17 treasury may consolidate 1 or more categories of political
18 subdivisions of this state if the department of treasury determines
19 that there is a logical basis for consolidation of those categories
20 and that consolidation of those categories is reasonable and
21 necessary for the effective administration of this act.

22 (2) The estimate of the aggregate amount of revenue lost by
23 each category of political subdivision of this state or
24 consolidated category under subsection (1) shall not include debt
25 mill loss<<, voter-approved qualified mill loss,>> or revenue lost from
26 the levy of school operating mills
27 under section 1211 of the revised school code, 1976 PA 451, MCL
380.1211.

Senate Bill No. 1072 as amended May 10, 2012

1 (3) In order to be eligible for reimbursement under this act,
2 each local taxing unit shall submit to the department of treasury,
3 in a form prescribed by the department of treasury, the following:

4 (a) Within 180 days after the end of its 2012 fiscal year, the
5 ad valorem and specific taxes levied on and the revenue collected
6 from commercial personal property and industrial personal property
7 by that local taxing unit in the 2012 fiscal year.

8 (b) Within 180 days after the end of its 2012 fiscal year, the
9 dollar amount equal to 2% of that local taxing unit's <<general
10 fund>> revenue in the 2012 fiscal year.

11 (c) Beginning in 2013 and each year thereafter, the amount of
12 ad valorem and specific taxes levied on and the revenue collected
13 from commercial personal property and industrial personal property
14 by that local taxing unit in that year.

15 (4) In order to be eligible for reimbursement under this act,
16 each tax increment financing authority, within 180 days after the
17 end of its 2012 fiscal year and each year thereafter, shall submit
18 to the department of treasury, on a form prescribed by the
19 department of treasury, all of the following:

20 (a) The amount of ad valorem and specific taxes levied by each
21 local taxing unit on commercial personal property and industrial
22 personal property that is captured and retained by the authority in
23 the fiscal year.

24 (b) The amount that the authority's tax increment revenues in
25 the fiscal year are insufficient to make the required payments due
26 in that fiscal year on obligations incurred before the end of its
27 2012 fiscal year.

Senate Bill No. 1072 as amended May 10, 2012

1 (5) In preparing the estimates for each category of political
2 subdivision of this state or consolidated category under subsection
3 (1), the department of treasury shall apply best practices. The
4 department of treasury shall consider all relevant data available
5 at the time the estimate is made, relevant historical data, and any
6 other factors the department reasonably determines to be relevant
7 to its estimate.

8 (6) The department of treasury shall include on its website a
9 summary of the methodology used to make the estimate under
10 subsection (1).

11 (7) The department of treasury shall submit the estimate to
12 the chair and the minority vice-chair of the appropriations
13 committees of the senate and the house of representatives.

14 Sec. 6. Beginning in the 2013 fiscal year and each fiscal year
15 thereafter, the legislature shall appropriate to the personal
16 property tax reimbursement fund an amount equal to the total amount
17 of debt mill loss <<and voter-approved qualified mill loss>> determined
18 by the department of treasury under
section 4.

19 Sec. 7. Beginning in the 2016 fiscal year and each fiscal year
20 thereafter, the legislature shall appropriate to the personal
21 property tax reimbursement fund, at a minimum, an amount equal to
22 the estimate prepared by the department of treasury under section 5
23 for each category of political subdivision of this state, including
24 consolidated categories. The legislature may appropriate to the
25 personal property tax reimbursement fund an additional amount as
26 determined by the legislature to reflect any additional factors
27 determined relevant by the legislature.

Senate Bill No. 1072 as amended May 10, 2012

1 Sec. 8. The department of treasury shall annually pay from the
2 fund all of the following:

3 (a) Beginning in the 2013 fiscal year and each fiscal year
4 thereafter, the amount of debt mill loss <<and voter-approved qualified
5 mill loss>> determined under section 4
6 to each local taxing unit in this state.

7 (b) Beginning in the 2016 fiscal year and each fiscal year
8 thereafter, an amount determined by law to each local taxing unit
9 and tax increment financing authority. The total amount paid to all
10 local taxing units and tax increment financing authorities within a
11 category of political subdivision of this state or consolidated
12 category shall equal the amount appropriated for that category or
13 consolidated category under section 7.

14 Sec. 9. It is the intent of the legislature that the amount
15 appropriated to the personal property tax reimbursement fund under
16 sections 6 and 7 will be derived from an anticipated revenue
17 increase resulting from the elimination of certain tax expenditures
upon the expiration of certificated credits.