

HOUSE BILL No. 6054

November 28, 2012, Introduced by Rep. Foster and referred to the Committee on Tax Policy.

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.

10 (v) Authorities.

1 (vi) Local school districts.

2 (vii) Intermediate school districts.

3 (viii) Community college districts.

4 (ix) Libraries.

5 (x) Other local taxing units.

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

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

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

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

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

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

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

27 (iii) Has a bond rating that is less than investment grade

1 according to a recognized bond rating agency.

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

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

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

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

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

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

23 (h) "Governmental funds" means that term as described by the
24 governmental accounting standards board. Governmental funds do not
25 include funds carried over from the 2011 fiscal year or revenue
26 associated with debt mills.

27 (i) "Fund" means the personal property tax reimbursement fund

1 created in section 3.

2 (j) "General property tax act" means the general property tax
3 act, 1893 PA 206, MCL 211.1 to 211.155.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (3) Money in the fund at the close of the fiscal year shall
27 remain in the fund and shall not lapse to the general fund.

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

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

8 Sec. 4. (1) Beginning in the 2016 fiscal year and each fiscal
9 year thereafter, subject to subsection (2), the department of
10 treasury shall prepare an estimate for each category of political
11 subdivision of this state of the aggregate amount by which revenue
12 lost in that fiscal year by each individual local taxing unit in
13 that category, not including debt mill loss, as a result of an
14 exemption initially effective after December 30, 2012 of industrial
15 personal property, eligible manufacturing personal property, and
16 commercial personal property exceeds 2% of the governmental funds
17 revenue in the 2012 fiscal year of that local taxing unit, plus the
18 total amount of debt mill loss by all taxing units in that category
19 in that fiscal year as a result of the exemption, plus the
20 aggregate amount of lost tax capture for each tax increment
21 financing authority in that category in that fiscal year as a
22 result of the exemption. However, in the case of an economically
23 distressed local taxing unit, the department of treasury may
24 consider the amount by which revenue lost in that fiscal year, not
25 including debt mill loss, as a result of an exemption initially
26 effective after December 30, 2012 of industrial personal property,
27 eligible manufacturing personal property, and commercial personal

1 property exceeds 1% of the governmental funds revenue in the 2012
2 fiscal year of that economically distressed local taxing unit. In
3 preparing the estimates under this subsection, the department of
4 treasury may consolidate 1 or more categories of political
5 subdivisions of this state if the department of treasury determines
6 that there is a logical basis for consolidation of those categories
7 and that consolidation of those categories is reasonable and
8 necessary for the effective administration of this act.

9 (2) The estimate of the aggregate amount of revenue lost by
10 each category of political subdivision of this state or
11 consolidated category under subsection (1) shall not include
12 revenue lost from the levy of school operating mills under section
13 1211 of the revised school code, 1976 PA 451, MCL 380.1211.

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

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

21 (b) Within 180 days after the end of its 2012 fiscal year, the
22 dollar amount equal to 2% of that local taxing unit's governmental
23 funds revenue in the 2012 fiscal year.

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

1 (d) Within 180 days after the end of its 2012 fiscal year, the
2 number of debt mills levied in fiscal year 2012.

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

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

12 (b) A list of obligations incurred by the authority before the
13 end of its 2012 fiscal year, the payments due on each of those
14 obligations in that fiscal year, and the total amount of all the
15 payments due on all of those obligations in that fiscal year.

16 (c) The amount that the authority's tax increment revenues in
17 the fiscal year are insufficient to make the required payments due
18 in that fiscal year on obligations incurred before the end of its
19 2012 fiscal year.

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

27 (6) The department of treasury shall include on its website a

1 summary of the methodology used to make the estimate under
2 subsection (1).

3 (7) The department of treasury shall submit the estimate to
4 the chair and the minority vice-chair of the appropriations
5 committees of the senate and the house of representatives.

6 Sec. 5. Beginning in the 2016 fiscal year and each fiscal year
7 thereafter, the legislature shall appropriate to the personal
8 property tax reimbursement fund, at a minimum, an amount equal to
9 the estimate prepared by the department of treasury under section 4
10 for each category of political subdivision of this state, including
11 consolidated categories. The legislature may appropriate to the
12 personal property tax reimbursement fund an additional amount as
13 determined by the legislature to reflect any additional factors
14 determined relevant by the legislature.

15 Sec. 6. Upon appropriation, the department of treasury shall
16 annually pay from the fund an amount determined by law to each
17 local taxing unit and tax increment financing authority. The total
18 amount paid to all local taxing units and tax increment financing
19 authorities within a category of political subdivision of this
20 state or consolidated category shall equal the amount appropriated
21 for that category or consolidated category under section 5.

22 Sec. 7. It is the intent of the legislature that the amount
23 appropriated to the personal property tax reimbursement fund under
24 section 4 will be derived from an anticipated revenue increase
25 resulting from the elimination of certain tax expenditures upon the
26 expiration of certificated credits.