

Legislative Analysis



REFUND EXCESS SCHOOL DEBT MILLAGE THROUGH STATE EDUCATION TAX CREDIT

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House Bill 4705
Public Act 40 of 2013
Sponsor: Rep. Edward McBroom
House Committee: Tax Policy
Senate Committee: Finance

Complete to 7-21-14

A SUMMARY OF HOUSE BILL 4705 AS ENACTED 6-4-13

House Bill 4705 amended the State Education Tax (1993 PA 331) to (1) require a "qualified school district" to transfer the amount of *excess debt millage revenue* collected to the Department of Treasury for deposit into the School Aid Fund and (2) provide for a credit against the State Education Tax (SET) levied in July 2013 for each parcel of property subject to the tax located in a qualified local school district.

A "qualified local school district" is defined as a local school district that, on or after July 1, 2012, levied and collected a property tax millage for bonds that were retired on May 1, 2012, and were no longer outstanding as of July 1, 2012.

The amount of the credit for a parcel would be calculated by multiplying the parcel's taxable value by the "applied millage rate," which is rate determined by dividing the amount of the excess debt millage revenue collected by the school district and transferred to the Department of Treasury by the total taxable value of property subject to the SET located within the qualified local school district.

The bill would also require a qualified local school district to send to the Department of Treasury any excess debt retirement funds, with those funds credited to the School Aid Fund.

MCL 211.905c

FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government.

BACKGROUND INFORMATION:

The bill is intended to correct the inadvertent collection of a school bond debt millage by the Stephenson Area Public Schools (Menominee County). In May 2012, the district paid off a 12-year \$1.5 million school construction bond. At around the same time, however, the small Upper Peninsula school district also replaced its superintendent and

consolidated its business operations with the intermediate school district. The district failed to inform the local tax collecting units that the bonds had been repaid and that the tax no longer needed to be collected. The 2.28 mill property tax continued to be collected after the bonds had been repaid, generating revenue on the order of \$400,000. This bill is modeled after 2001 PA 7 (MCL 211.905a), which created a similar refund mechanism after the Saginaw City School District inadvertently collected a property tax in excess of the amount needed to repay bonds that the district had been repaid.

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