



Senate Fiscal Agency
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BILL ANALYSIS



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House Bills 4556 and 4558 (as passed by the House)
Sponsor: Representative Ken Yonker (H.B. 4556)
Representative Jim Townsend (H.B. 4558)
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 5-26-15

CONTENT

House Bill 4556 would amend the Local Community Stabilization Authority Act to do the following:

- For each fiscal year (FY) from FY 2015-16 through FY 2018-19, allow the Local Community Stabilization Authority to use up to \$300,000 of the local community stabilization share revenue to implement and administer the Act.
- Indicate by calendar year the amount of local community stabilization share revenue to be distributed between FY 2015-16 and FY 2027-28, and require increases in subsequent calendar years to be based on the personal property growth factor.
- Allow the small taxpayer exemption loss to be based on the change in taxable value of commercial and industrial personal property between 2013 and 2015, rather than between 2013 and 2014.
- Revise the definitions of "debt loss", "school debt loss", and "specific tax".
- Require the calculation of a municipality's general operating millage used to fund the cost of essential services to be based on the municipality's comprehensive annual financial report for its fiscal year ending in 2014 (as currently required) or its fiscal year ending in 2015 or as otherwise reported to the Department of Treasury.
- Change various deadlines.

House Bill 4558 would amend the Use Tax Act to increase the amount that may be generated by the local community stabilization share by \$300,000 each year from FY 2015-16 through FY 2018-19.

(The Use Tax Act imposes a tax of 6.0% on the purchase price of nonexempt personal property and services. The use tax consists of the "state share tax" and the "local community stabilization share tax", which is the local share of the total use tax. The local community stabilization share tax may generate a specified amount of revenue annually, which determines the rate of that tax. The rate of the State share tax is determined by subtracting the local rate from 6.0%.)

A more detailed description of [House Bill 4556](#) follows.

The Local Community Stabilization Authority Act creates the Local Community Stabilization Authority to levy the local community stabilization share tax and distribute that revenue to municipalities (counties, cities, villages, townships, authorities, local and intermediate school districts, community college districts, libraries, and other local or intergovernmental taxing units). The distributions are based on a number of factors, including the type of municipality,

whether it provides essential services, and the amount of revenue lost due to property tax exemptions for industrial and commercial personal property.

Among other things, municipalities are reimbursed for their "small taxpayer exemption loss", which means the 2013 taxable value of commercial personal property and industrial personal property minus the 2014 taxable value of that property. Under the bill, this definition would apply for the 2014 calendar year. For 2015 and each subsequent calendar year, "small taxpayer exemption loss" would mean the greater of 1) the amount under the current definition; or 2) the 2013 taxable value of commercial personal property and industrial personal property minus the 2015 taxable value of such property.

Factors used to determine reimbursements to municipalities include debt loss and school debt loss. For a municipality that is not a local or intermediate school district or a tax increment finance authority, "debt loss" means the amount of ad valorem property taxes and any specific tax levied for the payment of principal and interest of obligations incurred before January 1, 2013, pledging the taxing power of the municipality, that are lost as a result of tax exemptions for industrial personal property and commercial personal property. The bill would refer to obligations either incurred before January 1, 2013, or approved by the voters before that date.

"School debt loss" means the amount of revenue lost from ad valorem property taxes specifically levied for the payment of obligations approved by the electors before January 1, 2013, or obligations pledging the unlimited taxing power of a local or intermediate school district incurred before that date, as a result of tax exemptions for industrial personal property and commercial personal property. The bill would refer to the amount of revenue lost from ad valorem property taxes *and* any specific tax levied for the payment of those obligations.

"Specific tax" means a tax levied under Public Act 198 of 1974 (the plant rehabilitation and industrial development act), the Commercial Redevelopment Act, or the Commercial Rehabilitation Act. Under the bill, "specific tax" would mean a tax levied under Public Act 198 of 1974.

The Local Community Stabilization Authority Act requires city and township assessors, by June 5, 2016, and then annually, to report the taxable value of commercial and industrial personal property to county equalization directors. By June 20, 2016, and then annually, county equalization directors must report to the Department of Treasury. The bill would move those deadlines to June 5, 2015, and June 20, 2015, respectively.

The Act requires the Department, by August 15, 2016, to make certain calculations for each municipality that is a city. The bill would change the deadline to September 15, 2015. The bill would require the Authority, for calendar years 2014 and 2015, to distribute local community stabilization share revenue to each city according to its proportion of the total amount calculated. The Authority would have to make these payments by October 20, 2015.

The Act requires the Legislature to appropriate an amount equal to the necessary expenses incurred by the Authority and the Department to implement the Act, beginning in FY 2014-15 and each subsequent fiscal year. The bill, instead, would require the Legislature to appropriate an amount equal to the necessary expenses incurred by the Department to implement the Act for FY 2014-15 through FY 2018-19. Beginning in FY 2018-19 and each following fiscal year, the Legislature would have to appropriate an amount equal to the necessary expenses incurred by the Authority and the Department in implementing the Act.

Beginning in FY 2015-16, the Authority must distribute local community stabilization share revenue according to a specified order of priority. After those deductions, beginning in FY 2019-20, the Authority must distribute 5% of the remaining balance of the Local Community Stabilization Share Fund for the current fiscal year to each municipality that is not a local or intermediate school district or a tax increment finance authority, as set forth in the Act, and

subject to a provision for increasing that percentage. Under the bill, those requirements would begin in calendar year 2016, rather than FY 2015-16, and calendar year 2019, rather than FY 2019-20, respectively.

The bill would require the Authority to distribute local community stabilization share revenue from FY 2015-16 through FY 2027-28 by specified amounts in each calendar year, as shown in Table 1.

Table 1
Calendar Year Distributions of Local Community Stabilization Share Revenue

Fiscal Year	Calendar Year: Amount	Calendar Year: Amount
2015-16	2014 & 2015: \$19,200,000	2016: \$76,900,000
2016-17	2016: \$297,400,000	2017: \$83,200,000
2017-18	2017: \$321,500,000	2018: \$89,000,000
2018-19	2018: \$341,800,000	2019: \$95,900,000
2019-20	2019: \$364,500,000	2020: \$101,400,000
2020-21	2020: \$383,500,000	2021: \$108,000,000
2021-22	2021: \$405,700,000	2022: \$115,600,000
2022-23	2022: \$428,300,000	2023: \$119,700,000
2023-24	2023: \$438,900,000	2024: \$122,800,000
2024-25	2024: \$445,800,000	2025: \$124,000,000
2025-26	2025: \$447,100,000	2026: \$124,300,000
2026-27	2026: \$447,700,000	2027: \$124,500,000
2027-28	2027: \$448,000,000	2028: \$124,600,000

For FY 2028-29 and each subsequent fiscal year, the Authority would have to increase the prior fiscal year's two distribution amounts by the "personal property growth factor" (as defined in the Use Tax Act): the first amount for the calendar year in which the fiscal year began, and the second amount for the calendar year in which the fiscal year ended.

MCL 123.1345 et al. (H.B. 4556)
205.93 (H.B. 4558)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would have little to no impact on State or local revenue relative to current estimates. While some changes in the bills, such as those regarding the definitions of "debt loss" and "small taxpayer exemption loss", could have minimal impacts relative to current law, the original estimates for the legislation exempting personal property effectively assumed the changes. Therefore, current estimates of the impact of exempting personal property would not change as a result of the bills. Some individual local units could receive slightly different reimbursements as a result of the bills; because the total amount available to reimburse local units would be unchanged, however, the net impact of any shifts would be zero.

The bills would reduce State General Fund revenue, and increase revenue to the Local Community Stabilization Authority, by \$300,000 per year in FY 2015-16 through FY 2018-19. The additional \$300,000 would not be distributed to local units to reimburse personal property tax losses, but would finance the Authority's operating and administrative expenses in those fiscal years.

Fiscal Analyst: David Zin

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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.