



Senate Fiscal Agency
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Senate Bill 807 (Substitute S-1 as reported)
Sponsor: Senator Michael D. MacDonald
Committee: Finance

CONTENT

The bill would amend the State Essential Services Assessment Act to specify that, for the 2021 tax year only, if, because of the COVID-19 pandemic, a combined document to claim the qualified new personal property exemption or the qualified previously existing personal property exemption (under the General Property Tax Act) were not filed to claim either exemption for property that would have qualified for that exemption in the 2021 tax year, the owner of the property could obtain from the State Tax Commission an order granting the exemption retroactively and establishing an assessment on that property under the State Essential Services Assessment Act.

To do so, a property owner would have to submit a combined document applicable to that property and an application to the Commission within 90 days after the bill's effective date. If the Commission approved the application, it would have to issue an order than did all of the following:

- Granted the applicable exemption.
- Established the 2021 State essential services assessment (ESA) for the property and set the due date for payment of the ESA 45 days after the date the order was issued.
- Specified that if the ESA were not paid, the applicable exemption would be rescinded.
- Refunded any 2021 property taxes paid or cancelled any 2021 property taxes unpaid, as applicable.

The bill also would create the "Late-Qualifying Eligible Manufacturing Personal Property Tax Reimbursement Fund" in the State Treasury. The Department of Treasury would have to spend money from the Fund, upon appropriation and after receiving an order from the Commission, only for distribution to local tax collecting units to make refunds or to distribute unpaid property tax for taxing units that levied those taxes. Money in the Fund at the close of the fiscal year would remain the Fund and would not lapse to the General Fund unless all applicable expenditures had been made.

MCL 211.1057a

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bills would reduce State and local revenue and increase administrative costs for the State by an unknown, though likely minimal, amount. The number of properties that would qualify for the retroactive exemptions is unknown. The bill would reduce State Education Tax (SET) revenue and local property tax revenue by an amount that would depend on the number and taxable value of the properties that qualified for a retroactive personal property tax exemption. Local revenue changes also would depend on local millage rates. The General Fund reimburses the School Aid Fund for reductions in SET revenue and the increased cost of

the foundation allowance due to reduced property tax collections; however, the total reimbursement for fiscal year 2021-22 is estimated to be \$1.5 million, and the change in the bill would increase that amount by a small fraction.

The distribution of personal property tax reimbursement payments from the Local Community Stabilization Authority (LCSA) to eligible local units would change somewhat based on the distribution of exempt property among local units of government. The total amount of LCSA payments, however, would not change as the total of all personal property reimbursements each year is set in statute. State revenue from the ESA would increase by an unknown amount, although because of the difference in tax rates between the ESA and the SET, the increase would be less than the increased cost to the General Fund from SAF reimbursement.

The Department would have additional administrative costs to administer the Late-Qualifying Eligible Manufacturing Personal Property Tax Reimbursement Fund and to make distributions.

Date Completed: 4-26-22

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