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Senate Bill 565 (as discharged)
Sponsor: Senator Sarah Anthony
Committee: Appropriations (discharged)

CONTENT

The bill would modify the Michigan Trust Fund Act to require money remaining in the Local Government Reimbursement Fund at the close of the fiscal year to lapse to the General Fund. Currently, the money remains in the Local Government Reimbursement Fund and does not lapse.

MCL 12.253a

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State government and no fiscal impact on local units of government. Currently, \$75.0 million must be deposited annually into the Local Government Reimbursement Fund from the State share of use tax revenue. The purpose of the Fund is to compensate municipalities for revenue lost due to personal property tax exemptions.

As of August 2025, the Department of Treasury estimates that approximately \$45.0 million of the allocated \$75.0 million in the Fund was not distributed in fiscal year 2023-24 due to lower-than-expected levels of revenue loss by municipalities.

Under current law, the undistributed amount would remain in the Fund and would collect an unknown amount of interest and earnings over time. If the money lapsed to the General Fund, it could be used for other purposes. If the compensation for municipal revenue losses due to personal property tax exemptions were to increase significantly in future fiscal years resulting in qualifying losses greater than \$75.0 million, the Act requires that payments from the Fund be prorated amongst the qualifying municipalities. However, revenue losses are currently projected to be lower than \$75.0 million per year.

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