



**House
Legislative
Analysis
Section**

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"TRUTH-IN-TAXATION" VOTE

**Senate Bill 72 with House committee
amendments
First Analysis (5-16-91)**

**Sponsor: Sen. Nick Smith
Senate Committee: Finance
House Committee: Taxation**

THE APPARENT PROBLEM:

Public Act 2 of 1982, sometimes called the "truth in taxation act", amended the General Property Tax Act to require a local government to reduce the millage it levies for operating purposes if that tax rate would produce more revenue in the coming year than it did in the current year, after accounting for additions to and losses from the assessment roll. A local unit that wants to take advantage of some or all of an increase in property taxes by maintaining all or some current mills must provide notice and specify the mills sought, hold a public hearing on the matter, and adopt a separate resolution or ordinance on the millage rate. The act requires that a local unit wait seven days after the public hearing before approving the excess millage. Several problems have been identified as stemming from this week-long waiting period. First, the expense involved in holding a second meeting on the millage rate can be significant. Second, it inconveniences members of the public who attend the first meeting expecting to see action taken. Third, and apparently most important, there is very little time for some units, particularly for intermediate school districts that cross county lines, between the time when the information needed to make a decision about tax rates arrives and the date by which the rate must be set. Eliminating the waiting period between the public hearing on the millage retention and the vote would, tax specialists note, allow local units some additional breathing room in meeting tax deadlines.

Another tax rate-related problem faces the Adrian School District, according to local officials. The "Headlee Rollback" provisions require that millage rates be rolled back if tax revenue increases faster than the rate of inflation. The law says that millage authorized after May 31 is not subject to a millage reduction until the year following the authorization. Unlike other school districts, which hold elections after May 31, the Adrian School District holds its

biennial school election in April. This means it must hold a second election later in the year to deal with any Headlee override. The district would like its April election to be treated like the June or July elections held by other school districts.

THE CONTENT OF THE BILL:

The bill would amend Public Act 2 of 1982 in two ways:

- 1) It would eliminate the seven-day waiting period between a "truth in taxation" hearing and the vote by a local unit of government on its millage rate. The bill would also require that the notice of the public hearing contain the date that the taxing unit planned to take action on the proposed millage rate ordinance or resolution.
- 2) It would specify that millage authorized by voters at an April biennial school district election would not be subject to a millage reduction under the "Headlee Rollback" provisions until the year following the voter authorization. Currently, this provision applies to millage authorized after May 31.)

MCL 211.24e and 211.34d

HOUSE COMMITTEE ACTION:

The House Taxation Committee amended the Senate-passed bill in order to make Senate Bill 72 resemble House Bill 4109, which the House passed in late February of this year. House Bill 4109 was used by the Senate as a vehicle during the property tax freeze discussions, but was later abandoned. As passed by the Senate, the bill would have required any levy of additional millage during the truth in taxation process to be accomplished by a vote at the conclusion of the public hearing on the proposal;

would have required the notice of the public hearing to notify the amount of increased revenue that the taxing unit would receive if the additional millage was not approved; and would have required the notice to inform the public that public notice would be considered by the local taxing unit "before exercising its authority to increase property taxes." The House amendments removed these provisions from the bill. An amendment addressing the Adrian School District's early school election date was also added by the House Taxation Committee.

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

The requirement that a local unit wait until seven days after a "truth in taxation" public hearing before voting on the millage rate proposal is unnecessary and inconvenient. Most people who attend such hearings expect the vote to be taken the same night. Sometimes no one appears at the public hearing to object to the proposal and the local governing body must still wait a week to act. The second meeting adds expense. Further, taxing units already have difficulty meeting statutory deadlines for setting tax rates because of the lack of time between the arrival of necessary information and the deadline for establishing tax rates. This is said to be a particular problem for intermediate school districts, which can comprise parts of numerous counties. Proponents of the bill say there are more than two dozen dates to be met by tax officials at various levels and attempts to change one can create a domino effect. It is easier to eliminate the waiting period.

The bill also solves a problem facing the Adrian School District, which unlike other school districts holds its biennial school election in April rather than June. Without this amendment, the Adrian schools would have to hold a second election to deal with a Headlee override vote.

Against:

Some people have questioned eliminating the waiting period if the real problem is that tax information is not reported in a timely way. If the deadlines for reporting information and setting tax rates are unrealistic, why not address those rather than remove the mandatory seven-day waiting period?

POSITIONS:

A representative of the Oakland Intermediate School District testified in favor of the bill before the House Taxation Committee. (5-15-91)

A representative of the Adrian School District testified in favor of the committee amendments to the bill regarding biennial school elections held in April. (5-15-91)