

Legislative Analysis



STATE EDUCATION TAX COLLECTION

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Senate Bill 978 as passed by the Senate
Sponsor: Sen. Cameron S. Brown
House Committee: Tax Policy
Senate Committee: Finance

First Analysis (12-1-04)

BRIEF SUMMARY: The bill would allow local units currently retaining a \$2.50 per parcel reimbursement for collecting the State Education Tax in the summer to continue to retain that amount.

FISCAL IMPACT: If this bill is enacted, local units would continue to retain approximately \$4 million from the summer SET collection. If this bill is not enacted, that amount would go instead to the School Aid Fund.

THE APPARENT PROBLEM:

Public Act 244 of 2002 amended the State Education Tax Act to shift the collection of the six-mill State Education Tax to the summer tax levy, beginning with the summer of 2003. To compensate local governmental units collecting the tax (city or township), Public Act 244 also permitted the local unit to retain \$2.50 per parcel, if the local unit collected no other taxes during the summer other than the SET and village taxes. However, Public Act 357 of 2004 shifted the collection of most county taxes to the summer, thereby making local units ineligible for the \$2.50 per parcel reimbursement. Legislation allowing local units to retain the reimbursement has been introduced.

THE CONTENT OF THE BILL:

The bill would amend the State Education Tax Act to allow a local unit to retain \$2.50 per parcel if it collected no summer taxes other than the SET, village taxes, and certain county taxes not levied before the summer of 2005. (The new language is underlined.)

MCL 211.905b

HOUSE COMMITTEE ACTION:

The House Committee on Tax Policy reported the bill out as passed by the Senate.

ARGUMENTS:

For:

The \$2.50 per parcel reimbursement under the State Education Tax Act helps many local units defray the additional costs incurred for collecting the SET for the state in the

summer, as newly required in 2003. In addition, Public Act 357 of 2004 requires local units to collect county property taxes in the summer. Allowing local units to continue to receive the reimbursement defrays the costs incurred for collecting taxes they would not collect in the summer were it not for a state mandate.

POSITIONS:

The Department of Treasury supports the bill. (12-1-04)

The Michigan Townships Association supports the bill. (12-1-04)

The Michigan Association of Counties supports the bill. (12-1-04)

The Michigan Municipal League supports the bill. (12-1-04)

The Michigan Assessors Association supports the bill. (12-1-04)

Legislative Analyst: Mark Wolf
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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.