

Legislative Analysis



PPT FOLLOW-UP LEGISLATION

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bills 4553 & 4554 as introduced
Sponsor: Rep. David C. Maturen

Analysis available at
<http://www.legislature.mi.gov>

House Bills 4555 & 4556 as introduced
Sponsor: Rep. Ken Yonker

House Bills 4557 & 4558 as introduced
Sponsor: Rep. Jim Townsend

Committee: Tax Policy
Complete to 5-6-15

SUMMARY:

House Bills 4553 through 4558 make a number of changes relative to the personal property tax repeal approved by voters in August 2014.

Ballot Proposal 1 of 2014 put into effect the changes to the personal property tax, passed as Public Act 80 of 2014, commonly known as the personal property tax repeal. Broadly, the impact of PA 80 was to:

- Reduce business taxes through the phase-out of the tax on personal property, such as machinery, equipment, tools, and computers. This benefitted manufacturers and associated commercial enterprises, as well as all businesses with relatively small amounts of personal property.
- Reimburse local units for the loss of personal property tax revenue, as well as protect school funding. The reimbursement comes from the newly created Local Community Stabilization Authority, which has the authority to levy a portion of the state's use tax for this purpose.
- Create the State Essential Services Assessment, with revenue directed to the General Fund, to partially offset the loss of the use tax revenue allocated to reimburse local units. This is a small assessment on exempted personal property, based on its age and acquisition cost.

House Bill 4553 amends the General Property Tax Act in sections 9f, 9m, and 9n (MCL 211.9f, 211.9m, and 211.9n respectively). The bill refines and establishes reporting requirements related to personal property tax exemptions, as well as extends the exemption to personal property not yet in use.

House Bill 4554 amends the State Essential Services Assessment (ESA) Act, Public Act 92 of 2014. The bill contains a change to the base of the tax, as well as a number of technical, administrative, and definitional changes. These make up the bulk of the changes to existing law contained in this bill package.

House Bill 4555 amends the Alternative Essential Services Assessment Act, Public Act 93 of 2014. The changes in this bill are the same as those in HB 4554. The alternative assessment is simply a mechanism that allows businesses that wish to invest \$25 million or more in eligible manufacturing personal property in the state to pay the ESA at half the rate. Other than the rate difference, there are no other substantive differences between the two acts. This would remain the only difference if these bills become law.

House Bill 4556 amends the Local Community Stabilization Authority Act, Public Act 86 of 2014, with a number of definitional and administrative changes, including changes to how local unit reimbursement is defined and calculated, and an increase in the amount of use tax levied by the authority.

House Bill 4557 amends Public Act 198 of 1974, otherwise known as the Industrial Facilities Tax, to conform to the definitional and reporting changes created by other bills in this package.

House Bill 4558 amends the Use Tax Act to conform to the changes in House Bill 4556.

A more detailed analysis of these changes is in process.

FISCAL IMPACT:

This package of bills should have no impact on state revenues. The change in the State Essential Services Assessment tax base, resulting from the changes to the definition of acquisition cost, may affect revenues to a small extent. However, this change does not affect the fiscal impacts estimated for the original PPT repeal package. According to the Department of Treasury, the method used to make that estimate, along with the estimates of the small taxpayer exemption and debt loss, accounts for these changes already. As a result, all state revenue projections will remain the same.

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