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BILL ANALYSIS



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Senate Bill 1156 (as introduced 11-9-16)
Sponsor: Senator Marty Knollenberg
Committee: Local Government

Date Completed: 11-29-16

CONTENT

The bill would amend the Local Community Stabilization Authority Act to revise the calculation of reimbursement a municipality receives for certain losses, in the case of a municipality that restructured the funding of police services to offset a decrease in general operating millage previously used to fund those services.

The Act provides for the levy of the local community stabilization share tax (the local share of the total use tax) and the distribution of that revenue to municipalities (including counties, cities, villages, townships, authorities, school districts, and libraries). The distribution is based on a number of factors, including the type of municipality, whether it provides essential services, and the amount of "debt loss" and "school debt loss", which refer in general to revenue lost due to property tax exemptions for industrial and commercial personal property.

The Act requires city and township assessors to report to county equalization directors information concerning the taxable value of commercial personal property and industrial personal property, the difference in those values between certain years, and millage rates levied. County equalization directors are required to report to the Department of Treasury, which must calculate each municipality's debt loss or school debt loss.

The Department then is required to calculate and make available to each municipality every year "that municipality's sum of the lowest rate of each individual millage levied in the period between 2012 and year immediately preceding the current year". The bill specifies that, for purposes of this calculation, if a municipality restructured the funding of its police services to offset a corresponding decrease to nondedicated general operating millage previously used to fund police services between 2012 and the year immediately preceding the current year, the lowest rate of the municipality's police services millage levied in the same period would be the lowest millage rate levied for police services during that period that reflected the restructuring.

The bill would include similar language in provisions that require a tax increment finance authority to make certain calculations in order to determine its loss due to the tax exemptions for industrial and commercial personal property.

MCL 123.1353 & 123.1356a

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase revenue for a local unit of government that met criteria in the bill related to restructuring of property tax millage for police services. Under the Act, local governments receive reimbursements for eligible losses from the exemption of certain

manufacturing personal property from the property tax. Reimbursement amounts are calculated and paid according to formulas and the priority order set in statute. The amount of eligible loss for a local government is calculated using the lowest millage rate levied between 2012 and the year immediately before the current property tax year which is applied to eligible taxable value. For a millage levied for the first time after 2012, the lowest rate is zero. For a municipality that restructured its millage as described in the bill (a reduction in general operating millage used for police services and an increase in a dedicated police millage by a corresponding amount), under current law the millage restructuring would result in a lower amount of reimbursement under the Act. The bill would allow the police services millage to be included in the reimbursement calculation at the lowest rate that reflected the police millage restructuring. The amount of local community stabilization payment increase for that local unit would depend on eligible local millage and taxable value. Rochester Hills is reported to have restructured its police service millage in a way that would qualify for the exception in the bill. Reimbursements under the Act are paid from use tax revenue that is levied by the Local Community Stabilization Authority.

The bill would have no fiscal impact on the State.

Fiscal Analyst: Elizabeth Pratt