



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4926 (Substitute H-1 as passed by the House)
House Bill 4927 (as passed by the House)
House Bill 4928 (as passed by the House)
House Bill 4929 (as passed by the House)
House Bill 4930 (Substitute H-1 as passed by the House)
Sponsor: Representative Lynn Afendoulis (H.B. 4926)
Representative Hank Vaupel (H.B. 4927)
Representative Michael Webber (H.B. 4928)
Representative Tenisha Yancey (H.B. 4929)
Representative Karen Whitsett (H.B. 4930)

House Committee: Tax Policy
Ways and Means

Senate Committee: Finance

Date Completed: 9-2-20

CONTENT

House Bill 4926 (H-1) would amend the Local Community Stabilization Authority Act (LCSA Act) to do the following:

- **Modify the definition of "qualified school debt millage rate".**
- **Require the Department of Treasury to make specified calculations before May 1 of each year, beginning in calendar year 2020, for an enhancement millage levied by an intermediate school district.**

House Bill 4927 would amend the LCSA Act to exclude basic school operating mills from the calculation of a municipality's school operating loss that had not been reimbursed when determining the local community stabilization shared revenue for a given municipality.

House Bill 4928 would amend the LCSA Act to require local community stabilization share revenue authorized for the operation of the LCSA to be distributed to an operating fund created within the Authority.

House Bill 4929 would amend the LCSA Act to modify the calculation made for the Act's millage on industrial and commercial personal property.

House Bill 4930 (H-1) would amend the LCSA Act to modify the procedures for reporting an error made by the Department when calculating annual commercial personal property and industrial personal property taxable values

House Bill 4926 (H-1)

"Qualified school debt millage rate" means one of three millage rates calculated based on the applicable calendar year: calendar years before calendar year 2018, calendar years 2018 and

2019, and calendar years after 2019. The bill would eliminate the language pertaining to calendar years after 2019. For calendar years after 2018, the term would mean either the millage rates specified but tied to the current year and all prior years after 2017.

For calendar year 2020 and all subsequent years, the bill would require city and township assessors to exclude enhancement millage from the calculated millage for intermediate school districts in their report to the county equalization director.

For calendar year 2020 and subsequent years' calculations, the bill would require the Department to make the following calculations before May 1 of each year for an enhancement millage levied by an intermediate school district:

- Calculate the individual enhancement millage rate levied by each intermediate school district in 2012, 2013, and 2014, respectively.
- Calculate each intermediate school district's eligible millage cap as the highest rate levied in 2012, 2013, or 2014 for its enhancement millage.
- Calculate the individual enhancement millage rate for each intermediate school district to be the lesser of the millage cap and the millage levied in the year immediately preceding the current year for the individual enhancement millage.

A millage used to make the calculations above would have to be levied against real and personal property.

House Bill 4927

Beginning in calendar year 2016, the authority must distribute local community stabilization share revenue as specified in the Act, in the order of priority listed. First, the authority must distribute to each municipality an amount equal to, among other things, 100% of that municipality's school operating loss not reimbursed by the School Aid Fund in the current year, calculated by multiplying the operating millage rate calculated under Section 13(4) or the operating millage rate reported under Section 13(5) by the local school district's personal property exemption loss for the personal property subject to the respective millage reimbursed.

Under the bill, the amount distributed would have to equal 100% of that municipality's school operating loss not reimbursed by the School Aid Fund in the current year, calculated by multiplying the reported operating millage rate or the calculated operating millage rate for mills other than basic school operating mills as defined under the Use Tax Act by the local school district's personal property exemption loss for the personal property subject to the respective millage.

Beginning for calendar year 2021, after the distributions to municipalities, the authority must distribute an amount equal to 10% of the total qualified loss for the current calendar year to each municipality that is not a local school district, intermediate school district, or tax increment financing authority (TIFA) in the specified amounts. Under the bill, this provision also would apply to a municipality that was not a local authority that first levied a millage rate after 2013.

House Bill 4928

Beginning for calendar year 2016, the Authority must distribute local community stabilization share revenue in the prescribed order of priority. Under the bill, this would apply after any distributions described below.

For each fiscal year after fiscal year (FY) 2018-2019, the Authority may use, for purposes consistent with implementing and administering the Act, local community stabilization share revenue up to the amount of local community stabilization share revenue authorized for use for the previous fiscal year multiplied by 1.01. Under the bill, for each fiscal year after FY 2018-2019, before any distributions of local community stabilization share revenue, the Authority would have to distribute the local community stabilization share revenue authorized for this purpose to an operating fund created within the Authority.

House Bill 4929

Under the LCSA Act, not later than June 15, 2016, and each June 15 thereafter, each municipality that is a TIFA, for each of its tax increment financing plans, must calculate the captured value of all industrial personal property and commercial personal property in the municipality that was a TIFA in 2013 and add any increased captured value for the current year.

From the amount calculated above, the municipality must subtract the total captured value of all industrial personal property and commercial personal property in the municipality that is a TIFA in the current year; then, the municipality must multiply the resulting amount by each individual millage rate calculated under Section 13(5), to the extent the millage is subject to capture by that TIFA. Under the bill, these calculations would apply for the 2016 through 2019 calendar years.

Under the bill, for the calendar year 2020 and subsequent years' calculations, from the amount calculated above, the municipality would have to subtract the captured value of all industrial personal property and commercial personal property in the municipality that was a TIFA in the current year for that category of property and multiply the resulting amount by each individual millage rate calculated under Section 13(4) and (5) and the State Education Tax levied under the State Education Tax Act to the extent the millage was subject to capture by that TIFA.

House Bill 4930 (H-1)

The Act allows each municipality to review the current year distribution calculations and the annual commercial personal property and industrial personal property taxable values that the Department posted on the internet to determine if there are any errors in reporting or any calculation errors made by the Department. In either case, a municipality may notify the Department of any errors identified by providing substantiating documentation to support an adjustment to the payment amount. Under the bill, the municipality would have to do so in a form and manner prescribed by the Department.

Error notifications pertaining to annual commercial personal property and industrial personal property taxable values are subject to certain parameters. For the 2013, 2014, and 2015 commercial personal property and industrial personal property taxable values, as reported by the county equalization director in calendar year 2015, municipalities must report any inaccurate commercial personal property and industrial personal property taxable values to the county equalization director by August 1, 2018, except as otherwise provided. County equalization directors must notify the Department by August 13, 2018, of any corrected 2013, 2014, and 2015 commercial personal property and industrial personal property taxable values, by providing substantiating documentation to support the corrected values.

For 2018 and subsequent years' commercial personal property and industrial personal property taxable values, as reported by the county equalization director by May 31 of each year, municipalities must report any inaccurate commercial personal property and industrial

personal property taxable values for the current year to the county equalization director by February 28 of the following year. County equalization directors must notify the Department by March 31 of each year of any corrected previous year commercial personal property and industrial personal property taxable values, by providing substantiating documentation to support the corrected values.

Under the bill, for the 2013, 2014, and 2015 commercial personal property and industrial personal property taxable values, as reported by the county equalization director in calendar year 2015, and for 2018 and subsequent years' commercial personal property and industrial personal property taxable values, as reported by the county equalization director by May 31 of each year, if a municipality identified an inaccurate taxable value for the current year, it would have to report the error to the county equalization director by November 20, 2020, (or for 2018 and subsequent years, by February 28 of the following year) by providing substantiating documentation to support the corrected value. County equalization directors would have to review all reported inaccurate commercial personal property and industrial personal property taxable values and determine all municipalities affected by the inaccurate values. If a county equalization director identified an inaccurate taxable value, he or she would have to determine all municipalities affected by the inaccurate value.

For 2013, 2014, and 2015 taxable values, county equalization directors would have to notify the Department by December 30, 2020, of any corrected values for those years for each affected municipality. For 2018 and subsequent tax years' taxable values, county equalization directors would have to notify the Department by March 31 of any corrected previous year taxable values for each affected municipality. In either case, county equalization directors would have to provide to the Department substantiating documentation to support the corrected values.

MCL 123.1345 et al. (H.B. 4926)
123.1357 (H.B. 4927)
123.1357 (H.B. 4928)
123.1356a (H.B. 4929)
123.1358 (H.B. 4930)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bills would have no effect on State revenue or expenditures because revenue directed to the Local Community Stabilization Authority is established in sections of statute not affected by the bills. However, the bills could affect the distribution of revenue across local units of government. Because the total amount distributed by the LCSA is fixed in statute, any distributional changes that result in one or more units receiving more revenue than otherwise would be received absent the bills would be offset by one or more local units receiving less. It is not possible to forecast which units would receive more or less revenue in a given fiscal year, and in some circumstances some local units could gain in one year but lose in another.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.