Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4121 (Substitute H-1 as reported without amendment)
Sponsor: Representative Bill Rogers
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to create a five-year tax exemption for vacant real property purchased from a school district, and personal property located on it, unless a local unit chose not to exempt this property.

Specifically, for taxes levied after December 31, 2013, eligible real property purchased from a school district and all personal property located on that real property at the time of sale, and remaining on the property, would be exempt from the taxes collected under the Act for five years beginning on December 31 in the year of the purchase. Before the purchase occurred, the school district or the purchaser would have to give written notice of its intent to claim the exemption to the legislative body of the local taxing unit where the eligible real property was located.

Within 60 days after the bill's effective date, the legislative body of any city, township, or county that levies an ad valorem tax could, by resolution, elect not to exempt eligible real property and personal property located on it from that local taxing unit's ad valorem millage.

"Eligible real property" would mean real property that is currently vacant and was previously used as a school building or in the direct support of school operations.

Proposed MCL 211.7ll — Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would cause the State and local governments to forgo property tax revenue by an unknown amount. Affected property currently is not subject to taxation, so the bill would not reduce revenue relative to current collections but would delay an increase in revenue that otherwise would occur after the sale of the property. In addition to depending on the number of parcels purchased from school districts, the amount of forgone revenue would depend on whether the property would have been sold absent the bill and the specific characteristics of the affected property. Sales values for property that could be affected by the bill vary widely, from tens of thousands of dollars to millions. Assuming an average millage rate of 50 mills, the forgone tax on property worth $50,000 would be $1,250 per year for five years; while for property worth $2.0 million, the loss would be $50,000 per year.

Date Completed: 10-31-13 — Fiscal Analyst: David Zin