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BILL ANALYSIS

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Senate Bills 805 through 807 (as introduced 1-12-22)
Sponsor: Senator Michael D. MacDonald
Committee: Finance

Date Completed: 2-9-22

CONTENT

Senate Bill 806 would amend the General Property Tax Act to do the following:

-- Specify that, for 2021 only, if by March 30, 2021, a combined document for the purpose of claiming a qualified new personal property exemption or qualified previously existing personal property exemption were not properly filed, the property owner could file the combined document with the assessor of the city or township in which the property was located within 30 days after the bill's effective date.
-- Require the assessor to transmit the combined document to the Department of Treasury within 60 days after the bill's effective date.

Senate Bill 805 would amend the Local Community Stabilization Authority Act to require the Department, during calendar year 2022, to recalculate distributions of local community stabilization share revenue made to municipalities, and to require the Local Community Stabilization Authority (LCSA) to distribute additional funds owed to municipalities such that each municipality received the same distribution it would have if those claiming exemption as proposed under Senate Bill 806 had timely filed.

Senate Bill 807 would amend the State Essential Services Assessment Act to require, within 90 days after the bill's effective date, for the 2021 assessment year, the Department of Treasury to make available to eligible claimants a statement for calculation of the assessment.

The bills are tie-barred.

Senate Bill 806

Under Sections 9m and 9n of the General Property Tax Act, qualified new personal property and qualified previously existing personal property, respectively, for which an exemption has been properly claimed is exempt from the collection of taxes under the Act. A person must claim either of those exemption by filing each year a combined document that includes the form to claim the exemption, a report of the fair market value and year of acquisition by the first owner of the property, and for any year before 2023, a statement of personal property as required under the Act.

Under the bill, for 2021 only, if by March 30, 2021, a combined document were not properly filed to claim either exemption, the property owner could file the combined document with the assessor of the city or township in which the qualified new personal property or qualified previously existing property was located within 30 days after the bill's effective date. If the assessor determined that the property qualified for the exemption under Section 9m or 9n, the assessor would have to amend the assessment roll to reflect the exemption and notify the treasurer in possession of the tax roll. If a granted exemption resulted in an overpayment of tax, the refund, including any interest paid, would have to be made to the taxpayer within 30 days of the notice. A refund would have to be without interest. The treasurer in possession of the appropriate tax roll would have to deduct the refund from each applicable taxing unit's subsequent distribution of taxes.

Within 60 days after the bill's effective date, the assessor of the city or township would have to transmit the combined document and other parcel information required by the Department to the Department of Treasury, in the form and in the manner it prescribed. If the assessor of the city or township believed that personal property for which a combined document claiming an exemption timely filed was not qualified new personal property or qualified previously existing personal property, the assessor could deny that claim by notifying the person that filed the combined document of the reason for the denial and advising the person that the denial could be appealed to the Michigan Tax Tribunal within 35 days of the date of the denial.

Senate Bill 805

The bill would amend the Local Community Stabilization Act to require the Department of Treasury, during calendar year 2022, to recalculate distributions of local community stabilization share revenue made to municipalities under Section 17 for calendar year 2021 based on claims filed by claimants whose property was eligible for exemption under the extended filing period proposed in Senate Bill 806. (Section 17 requires the LCSA to distribute local community stabilization share revenue to municipalities in the manner prescribed in the Act.)

The LCSA would have to distribute any additional funds owed to municipalities in a manner that ensured each municipality received the same distribution it would have if those claiming exemption as proposed under Senate Bill 806 had timely filed, without the need for extension, under the General Property Tax Act and the State Essential Services Assessment Act.

Senate Bill 807

The bill would amend the State Essential Services Assessment Act to require the Department, for the 2021 assessment year, within 90 days after the bill's effective date, to make available in electronic form to each eligible claimant whose eligible personal property was exempt as proposed under Senate Bill 806 a statement for calculation of the assessment as provided in Section 7. The Department also would have to establish reasonable procedures and deadlines for the certification of the statement and payment of the assessment. The deadlines would have to give eligible claimants at least 28 days to comply.

Proposed MCL 123.1357a (S.B. 805)
MCL 211.9m & 211.9n (S.B. 806)
Proposed MCL 211.1057a (S.B. 807)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bills would reduce State and local revenue and increase administrative costs for the State by an unknown, though likely minimal, amount. The number of properties that would qualify under the proposed extension in Senate Bill 806 is unknown. The bill would reduce State

Education Tax (SET) revenue and local property tax revenue by an amount that would depend on the number and taxable value of the properties that qualified for a personal property tax exemption due to the extended deadline. Local revenue changes also would depend on local millage rates. The General Fund reimburses the School Aid Fund for reductions in SET revenue and the increased cost of the foundation allowance due to reduced property tax collections, however the total reimbursement for fiscal year 2021-22 is estimated to be $1.5 million, and the change in the bill would increase that amount by a small fraction.

The distribution of personal property tax reimbursement payments from the LCSA to eligible local units would change somewhat based on the distribution of exempt property among local units of government. The total amount of LCSA payments, however, would not change as the total of all personal property reimbursements each year is set in statute. State revenue from the Essential Services Assessment (ESA) would increase by an unknown amount, although due to the difference in tax rates between the ESA and the SET, the increase would be less than the increased cost to the General Fund from SAF reimbursement.

The Department of Treasury would have additional administrative costs under the bills, which likely would be absorbed within existing resources.

Fiscal Analyst: Ryan M. Bergan
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