The 4410: Taxable Values and the Local School District

Phil Boone February 20, 2012
Office of State Aid and School Finance

MICHIGAN Education

State Aid Funding

- Districts receive a per–pupil "foundation allowance"
- State per pupil $ = Foundation – local revenue
- Local revenue calculation based on taxable value reporting

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Local Revenue Calculation

- TV * millage rate = revenue

TV =
value of properties paying millage
+
value of properties in Ren. Zone
–
property value of school operating millage captured by TIFA, DDA, LDFA...

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Local Revenue Calculation

TV * millage rate = revenue

	Amount	Mills	Revenue
Non-PRE TV	291,867,970	18.0000	5,253,623
Comm PP TV	3,146,995	6.0000	18,882
Assumed Local Revenue			5,272,505
Local Revenue Per GE			5,978.91
Local Revenue Per Membership			5,754.38

See status reports at http://mdoe.state.mi.us/statusreports/

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Result of value change

- Increasing taxable value (PRE denial or decreasing capture) → reduces State Aid
- Decreasing taxable value → increases State Aid

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Current vs. prior year

- Adjustments to current year are "slow", 1/11 per payment
- Adjustments to prior year are "fast", 100% effect in next payment.

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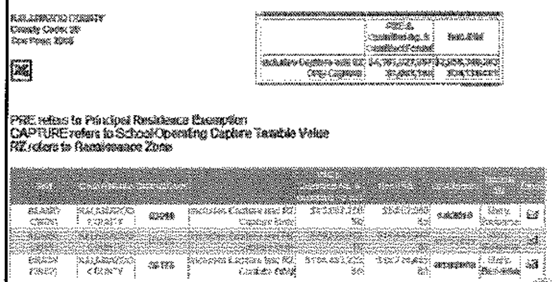
Reporting Website

- https://mdoe.state.mi.us/TaxableValue
- 24/7 access for county users
- Password reset: 517-335-0505
- Public access available for districts
- "Unit level" detail
- Uploaded to State Aid Management System on or about the first of the month

Taxable value format < 2008



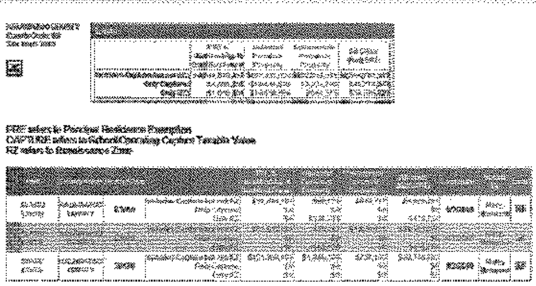
Taxable value format < 2008

- Two property categories
- PRE (homestead) or non-PRE (non-homestead)

Taxable value format < 2008

- "Includes Capture and RZ"
  - Value of all properties
- "Capture Only"
  - Value of properties in TIFA paying no school operating millage

Taxable value format 2008 >



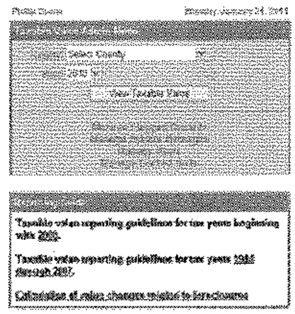
Taxable value format 2008 >

- Four property categories
  - PRE (homestead)
  - Industrial Personal
  - Commercial Personal
  - all other non-PRE (non-homestead)

Taxable value format 2008 >

- "Includes Capture but not RZ"
  - Value of all properties not within RZ
- "Capture Only"
  - Value of properties in TIFA paying no school operating millage
- "RZ only"
  - Value of properties within RZ

Reporting Guidelines



Traditional Reporting Dates

- September 1 "A"
  - Initial taxable values
- May 1 "B"
  - Revisions to current year
- October 20 "C"
  - Revisions of prior years
- Traditional…or obsolete?

State Aid Funding

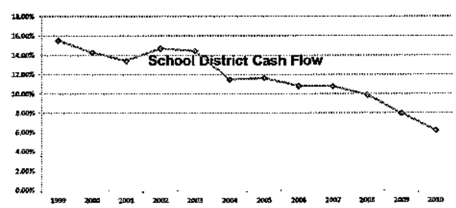
- Traditional due dates were "good enough" for many years.
- What has changed?
- Shrinking fund balances at local districts.

School District Cash Flow

- If district is shrinking, shrinking fund balances are OK, right? Yes, but…
- Fund balance as a % of current operating expense (FBCOE) is dropping.

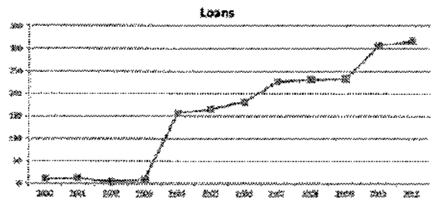
School District Cash Flow

- FBCOE declining steadily



School District Cash Flow

- Districts borrowing against State Aid



School District Cash Flow

- District fund balance (proportional to size of district) is less than half of what it was 10 years ago.
- Increasing number of districts borrow to maintain cash flow
- Cash flow is tight and getting tighter every year.

The Weakest Links

- "C" updates due Oct. 20
- Causes Nov. reimbursement
- December BOR's can result in bills with no reimbursement until NEXT November
- Large reductions in value result in large bills to districts

How can we improve?

- If "C" values were updated May 1 with "B" update, December BOR's would be reimbursed in 5 months instead of 11.
- Large reductions in non-PRE value result in large bills. Please update promptly.

Contact Info

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Taxable Value Reporting Guide

Tax Year 2008 and forward

The online taxable value collection system formerly known as the DS4410 has under gone a number of recent changes. For tax year 2008 and forward, laws tied to the new Michigan Business Tax have granted some exemptions to property taxes for industrial and commercial personal property. As a result, it has become necessary for the Michigan Department of Education (MDE) to collect taxable value data in greater detail than in previous years.

Taxable value must now be collected for four general classes of property, which are represented as four columns on the online form:

1) **PRE & Qualified Ag. & Qualified Forest**: This class of property was formerly referred to as "Homestead" on the DS4410. It includes any DNR PILT properties.
2) **Industrial Personal Property**
3) **Commercial Personal Property**
4) **All Other (Non-PRE)**: This class of property corresponds to what was formerly referred to as "Non-Homestead" on the DS4410, except it no longer includes Industrial or Commercial Personal Property. This value should include the value of property used to calculate the tax under Act No. 189 of 1953, MCL 211.181-211.182, which taxes the lessees or users of tax-exempt property.

Three values must be reported for each of the 4 classes of property:

1) **Includes Capture but not RZ**: This is the ad valorem taxable value of the unit, including any value captured by a tax increment financing (TIF) plan, but NOT including Renaissance Zone (RZ) values. The Department then subtracts the captured values to calculate a "net" taxable value for State Aid purposes. If the captured values are subtracted from this value before reporting, the district gets reimbursed twice for the captured amount.
2) **Only Capture**: This is the taxable value that corresponds specifically to SCHOOL OPERATING TAXES captured by any tax increment financing plan properties within the unit. This includes, but is not limited to, DDA, LDFA, TIFA, SmartZone, and Brownfield Redevelopment Plan properties. The following rules apply:
   - Report the plans' captured value, not the current value. Current value minus initial value equals captured value.
   - Report the value captured for local school operating taxes. If a plan is not capturing school operating taxes, and is only capturing nonschool taxes, report zero capture.
   - If the plan is capturing less than 100% of available school taxes, multiply the value available for capture by the percentage capture.
   - If the industrial facilities tax (IFT) capture is negative, the ad valorem tax captures must be reduced to offset the negative IFT capture. Negative IFT capture can occur when IFT exemptions expire, or when IFT values drop for other reasons.
   - For DDA, TIFA, and LDFA plans, Form 2604 makes the calculations described in the first four rules. On Form 2604, there is a table at the

end of Step 5 that shows the captured values for the DS 4410/taxable value reporting. For local units with more than one plan, each plan's values must be added together. Captured values for brownfield plans must be obtained from the authority/local unit.

- Do not report any capture for qualified RZ property within the unit. Qualified RZ parcels do not pay school operating taxes, therefore are not subject to capture of school operating taxes. Please do not report any capture taking place during the phase out period of RZ property.

3) **Only RZ**: This is the taxable value of any Renaissance Zone property within the unit. Prior to 2008, these values are to be "rolled up" with the ad valorem tax roll values for the purposes of DS4410 reporting. Beginning with 2008 values, these values are reported separately. The value of property in an RZ or Tool and Die Zone should be included in the report even though the property does not pay the 18 mill school operating tax levy. The law requires the State to separately reimburse school districts for their loss. If you exclude the RZ value from the report, the schools get reimbursed twice by the State. Please include the full value of renaissance zone property that is on the ad valorem tax roll, whether or not the exemption is being phased out.
4) Beginning with tax year 2010, the taxable value of Senior Citizen and Disabled housing properties exempt under MCL 211.7d should be included and reported as PRE. For earlier years, the taxable value of these properties is reported as "Other non-PRE".

General Guidelines

The following guidelines pertain to ALL fiscal years:

1) Industrial Facilities Tax (IFT), Commercial Facilities Tax (CFT), Neighborhood Enterprise Zone, Obsolete Properties Tax, Technology Park Tax, and Commercial Rehab Act Tax properties should NOT be reported anywhere on this report. However, if any of these properties are subject to TIF capture, and the capture is negative, the ad valorem tax captures must be reduced to offset the negative specific tax capture.
2) Taxable values shall be adjusted for tax foreclosure chargebacks and for proceeds of foreclosed property auctions paid to school districts, according to the following schedule.
   a. 2008 taxes go delinquent on March 1, 2009.
   b. If the taxes remain unpaid, by April 1, 2011 the property is foreclosed, title transfers to either the county or state, and taxes on the property are canceled.
   c. The foreclosed property may be sold at auction as soon as the following July, September, or November, and part of the proceeds of the sale may be paid to taxing units to reimburse them for the property taxes that were canceled. Or the property may be transferred to a local government or land bank authority.
   d. The county may either reduce the taxable value of the property when the canceled taxes are charged back to the school districts before the sale (b) and then increase the taxable value of the property for any sale proceeds returned to the school districts (c), or simply reduce the taxable value of the property for the amount of school taxes canceled and not recovered from sale of the property.
   e. Please see examples of the corresponding calculations provided.

Taxable Value Reporting Guide

For tax years 1994 through 2007

1. PRE & Qualified Ag. & Qualified Forest (PRE/QA/QF) values should include the value of property used to calculate the tax under Act No. 189 of 1953, MCL 211.181-211.182, which taxes the lessees or users of tax-exempt property.
2. The Includes Capture and RZ line should include the captured values reported in the Capture Only line. The Department then subtracts the Capture Only values to calculate a "net" taxable value for State Aid purposes. If the captured values are subtracted from the Includes Capture and RZ line before reporting, the district gets reimbursed twice for the captured amount.
3. The value of property in a Renaissance Zone (RZ) or Tool and Die RZ should be included in the report even though the property does not pay the 18 mill school operating tax levy. The law requires the State to separately reimburse school districts for their loss. If you exclude the RZ value from the report, the schools get reimbursed twice by the State.
4. The value of a DNR PILT property should be included in the report even though the property does not pay the 18 mill school operating tax levy. These properties are Qualified Agricultural Properties, and should be reported in the PRE/QA/QF column.
5. Values for Industrial and/or Commercial Facilities Tax properties should not be included in any column.
6. For values captured under a tax increment financing (TIF) plan:
   a. Report the TIF plans' captured value on the Capture Only line, not the current value. Current value minus initial value equals captured value. The current value of the property should be part of the value reported on the Includes Capture and RZ line.
   b. Report the value captured for local school operating taxes. If a plan is capturing non-school taxes only, report zero capture.
   c. If the plan is capturing less than 100% of available school taxes, multiply the value available for capture by the percentage capture.
   d. If the industrial facilities tax (IFT) capture is negative, the ad valorem tax captures must be reduced to offset the negative IFT capture. Negative IFT capture can occur when IFT exemptions expire, or when IFT values drop for other reasons.
   e. For DDA, TIFA, and LDFA plans, Form 2604 makes the calculations described in a-d. Form 2604, Step 5, lines 24 and 25 report the captured values for the DS 4410/taxable value reporting. For local units with more than one plan, each plan's values must be added together. Captured values for brownfield plans must be obtained from the authority/local unit.
   f. Do not report any capture for RZ or Tool & Die RZ property within the unit. RZ parcels do not pay school operating, therefore are not subject to capture of school operating. Please do not report any capture taking place during the phase out period of RZ or Tool & Die RZ property.
7. Taxable values shall be adjusted for tax foreclosure chargebacks and for proceeds of foreclosed property auctions paid to school districts, according to the following schedule.

   a. 2007 taxes go delinquent on March 1, 2008.

b. If the taxes remain unpaid, by April 1, 2010 the property is foreclosed, title transfers to either the county or state, and taxes on the property are canceled.
c. The foreclosed property may be sold at auction as soon as the following July, September, or November, and part of the proceeds of the sale may be paid to taxing units to reimburse them for the property taxes that were canceled. Or the property may be transferred to a local government or land bank authority.
d. The county may either reduce the taxable value of the property when the canceled taxes are charged back to the school districts before the sale (b) and then increase the taxable value of the property for any sale proceeds returned to the school districts (c), or simply reduce the taxable value of the property for the amount of school taxes canceled and not recovered from sale of the property.
e. Please see examples of the corresponding calculations provided.