PERSONAL PROPERTY TAX REFORM UPDATE

Local Government Reimbursement Outline

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Howard Heideman
Michigan Department of Treasury

PERSONAL PROPERTY TAX LEGISLATION

- In 2012, legislation was passed providing personal property exemptions for small taxpayers (starting in 2014) and Eligible Manufacturing Personal Property (phase-in starting in 2016). Laws revised in 2013 - 2016
- Reimbursement is provided through a share of the 6% Use Tax levied by the Local Community Stabilization Authority.
- August 2014 voter approval of Proposal 1 allowed laws to take effect

REIMBURSEMENT FOR 2016+

- Beginning for 2016, there is an estimated 100% reimbursement for all millages.
- Reimbursements for most millage will be calculated using millage rates available to Treasury and personal property exemption loss amounts reported by county equalization directors. Taxing units will not have to claim reimbursement.
- Local school districts and ISDs will continue to report debt millage levied.

OTHER REIMBURSEMENT DETAILS

- Beginning for 2016, loss from personal property exemptions will be calculated by subtracting current year commercial personal (CP) TV and industrial personal (IP) TV from 2013 CP TV and IP TV.
- Calculations include IFT property (new facilities at 50%).
- Calculations exclude property classified as either IP or CP in one year but classified as real property or utility personal in other.

OTHER REIMBURSEMENT PROVISIONS

- Except for local school/ISD debt millage, reimbursements are calculated using each taxing unit's sum of the lowest rate of each individual millage levied between 2012 and the immediately preceding year.
- Treasury reports rates by May 1 of each year. Millage rates posted at http://www.michigan.gov/taxes/0,4676,7-238-43535_72736-358296--,00.html
- Beginning in 2016, school/ISD debt rates must be reported to Treasury by August 15 on Form 5451.

OTHER REIMBURSEMENT DETAILS CY 2016 THROUGH CY 2018

- Tier I Reimbursements:
  - Local school district and ISD loss
  - Essential services loss, including loss from expiring tax exemptions (see slide 12)
  - Tax increment financing loss, including any loss from increased captured value
  - Small taxpayer exemption loss

OTHER REIMBURSEMENT DETAILS CY 2016 THROUGH CY 2018

- Tier II Reimbursements:
  - None
- Tier III Reimbursements:
  - Reimbursement for all other losses, based on each taxing unit's share of the total losses and available $ after Tier I payments
- Available funds are estimated to be sufficient to provide 100% reimbursement.

OTHER REIMBURSEMENT DETAILS AFTER CY 2018

- For 2019 5% of the funds otherwise available for Tier III are distributed under Tier II based on each taxing unit's share of EMPP tax loss calculated using modified acquisition cost of EMPP.
- That percentage is increased by 5% each year for 20 years, until no funds are distributed under Tier III.

FY 2017 BUDGET PREPARATION

- In estimating FY 17 revenues, for the millage rates being reimbursed, local units should assume that their FY 17 property tax revenues from industrial/ commercial personal property, including LCSA reimbursement, will equal their FY 14 property tax revenue from industrial/commercial personal property.
- Millage increases after 2012 will not be reimbursed.

TIMING OF REIMBURSEMENT

- County allocated millage: by September 20 (November 20, 2016).
- Other county millage, township millage, and other millage levied 100% in December: the following February 20.
- All other millage: October 20 (November 20, 2016).
- Treasury to advance to Authority the funds necessary to make timely payments.

OTHER REIMBURSEMENT PROVISIONS—PRIOR YEAR ADJUSTS

- Except for debt losses and essential services loss, reimbursements for a year are adjusted to reflect the final court order related to any prior year calculation.
- Adjustment made only if changes in prior-year taxable value can be calculated from taxable values reported by county treasurers to MI Department of Education.

MILLAGE USED FOR ESSENTIAL SERVICES

- Reimbursement for essential service millage (used for police, fire, ambulance, jails) is calculated separately from reimbursement for other mills and includes reimbursement for loss from expiring tax exemptions.
- Assessors must report loss from expiring tax exemptions on Form 5403 and Form 5429.
- Form 5448 calculates the percentage of general operating mills used for essential services.
- The form divides FY 12 general fund adjusted essential services expenditures by FY 12 adjusted total general fund expenditures.

TIF PLAN REIMBURSEMENT

- Beginning for 2014, TIF plans will be reimbursed for PPT loss. (TIF plans file Form 5176, 5176BR, or 5176 ICV.)
- Beginning for 2016, PPT loss includes the loss of increased captured value, which means:
  - Anticipated revenue from expiring tax exemptions
  - Revenue from anticipated future investment
  - Seven tests must be met for increased captured value
- Beginning in 2016, reimbursements for TIF losses are Tier I reimbursements.

USE TAX $ TO AUTHORITY FOR REIMBURSEMENTS

FY 16	$96.4 million*
FY 17	$380.9 million*
FY 18	$410.8 million*
FY 19	$438.0 million*
FY 20	$465.9 million
FY 21	$491.5 million
FY 22	$521.3 million
FY 23	$548.0 million
FY 24	$561.7 million

* Up to $0.3 million for administration

EST. STATE USE TAX $ TO SCHOOL AID FUND FOR PPT CUTS

FY 14	$9.9 million
FY 15	$19.9 million
FY 16	$30.9 million
FY 17	$42.0 million

After FY 17, estimated 1% annual increase

CONTACTS FOR REIMBURSEMENT QUESTIONS

Howard Heideman
Michigan Department of Treasury

HeidemanH@michigan.gov

(517) 373-9002

Evah Cole
Michigan Department of Treasury

ColeE@michigan.gov

(517) 373-2864