

How Michigan's New Personal Property Tax Law Will Affect Municipalities

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Recently enacted legislation provides clarity and relief to Michigan municipalities poised to suffer revenue loss as a result of personal property tax reform legislation enacted in 2012.

On March 28 and April 1, 2014, the Governor signed into law PA 80-81 and 86-93 of 2014 – a package of bills intended to address concerns raised following the 2012 reform and to clarify reimbursement to local units of government and tax increment finance authorities for lost personal property tax revenues.

Specifically, the new legislation includes a formula to provide full reimbursement for lost personal property tax revenue by comparing current year taxable values to 2013 taxable values and applying the lowest millage rate, and adjusting for exemptions. The legislation also provides for reimbursement for 100 percent of debt loss to local units. The reimbursement is phased in between 2014 and 2016, so it may be a couple of years before local units see the full impact of the reimbursement provisions.

The 2014 legislation eliminates the local essential services assessment on exempt commercial and industrial real property to replace revenue lost for police, fire, ambulance and jail operations, and provides authorization for a state levy of an essential services assessment.

Now under state law:

- Commercial and industrial personal property of each owner with a combined true cash value in a local taxing unit of less than \$80,000 is exempt from ad valorem taxes beginning in 2014.
- All eligible manufacturing personal property purchased or put into service beginning in 2013 and used more than 50 percent of the time in industrial processing or direct integrated support becomes exempt beginning in 2016.
- Personal property tax exemptions and tax abatements for technology parks, industrial facilities and enterprise zones that were to expire after 2012 are extended until the new exemptions take effect.

Similar to the 2012 legislation, the new reforms will only go into effect if voters approve a change in the state distribution of the use tax at the August 2014 primary election. If voters approve the change, the state use tax would be reduced and a Local Community Stabilization Authority (LCSA) would be created and administered by the Department of Treasury to replace the Metropolitan Areas Metropolitan Authority created under the 2012 legislation. The LCSA would be responsible for levying a local use tax component and distributing reimbursements to local units from the local use tax component. The Department of Treasury is required by the legislation to make any distributions that the LCSA is unable to make.

Miller Canfield's Public Finance Lawyers would be happy to discuss the changes as they apply to your community.

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