How Michigan's New Personal Property Tax Law Will Affect School Districts

April 15, 2014

Recently enacted legislation provides clarity and relief to Michigan school districts 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 enactment of the 2012 legislation and to clarify provisions regarding reimbursement for lost personal property tax revenues.

Specifically, the new legislation includes a formula to provide full reimbursement to local and intermediate school districts for 100 percent of lost debt millage revenue associated with bonds approved by voters prior to January 1, 2013, and lost operating millage revenue. In a change from the 2012 legislation, districts would also see 100 percent reimbursement for lost sinking fund millage revenue. The formula is phased in between 2014 and 2016, so it may be a couple of years before districts see the full impact of the reimbursement provisions.

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 school district or intermediate school district.

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