

## Community Colleges Must Report Debt Revenue Loss By Friday Under Michigan Personal Property Tax Reform

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September 2, 2014

Recent reforms to the Michigan personal property tax require community colleges to report their debt revenue loss to the Michigan Department of Treasury by September 5, 2014.

County assessors should provide calculations for the adjustments in taxable values associated with the exempt personal property. As this is the first year for a complex set of adjustments, we recommend you confirm that you are submitting the latest version of the necessary form.

Last spring, Gov. Rick Snyder signed into law a package of bills intended to address concerns raised following enactment of the 2012 Michigan personal property tax reform legislation and 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 to community college districts 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. This reimbursement is phased in between 2014 and 2016 as personal property tax is phased out, so it may be a couple of years before local units see the full impact of the reimbursement provisions. The legislation also provides for reimbursement to community colleges for 100 percent of debt revenue loss for taxes levied for limited tax and unlimited tax obligations incurred prior to January 1, 2013.

Under the new 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.

Pursuant to voter approval in August 2014, the state use tax is reduced and a Local Community Stabilization Authority (LCSA) is created, to be administered by the Department of Treasury. The LCSA will 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 college.

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