Michigan Personal Property Tax Reform and Local Revenue Stabilization Package

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Lt. Governor of Michigan
March 11, 2014

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Why are we doing this?

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PPT Reform - Business

- Small Business Exemption
- Manufacturing Exemptions

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PPT Reform - Local Government

- Revenue Stability
- Economic Growth

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Local Reimbursement

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Reimbursement after FY 2015 Current Law

Police, Fire Ambulance and Jails		100%
K-12 / ISD Operating & Debt Loss		100%
Lost TIF Capture (Required Trailer Bill)		100%
Everything Else		Est.80% 2.3% loss required

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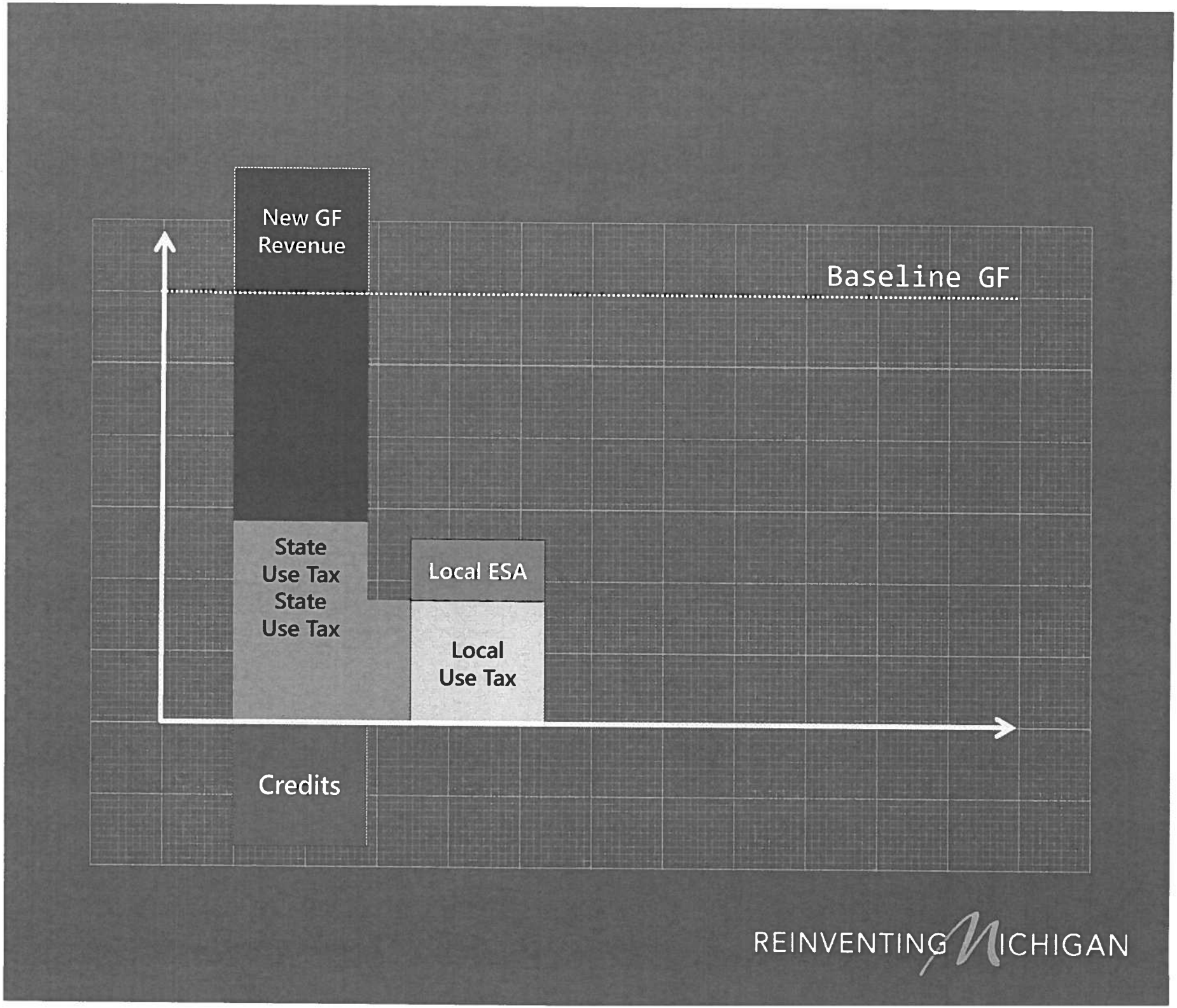
New GF Revenue
Baseline GF
State Use Tax
State Use Tax
Local ESA
Local Use Tax
Credits
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Reimbursement after FY 2015
100% Proposal

Police, Fire Ambulance and Jails		100%
K-12 / ISD Operating & Debt Loss		100%
Lost TIF Capture		100%
Everything Else		Est. 100%

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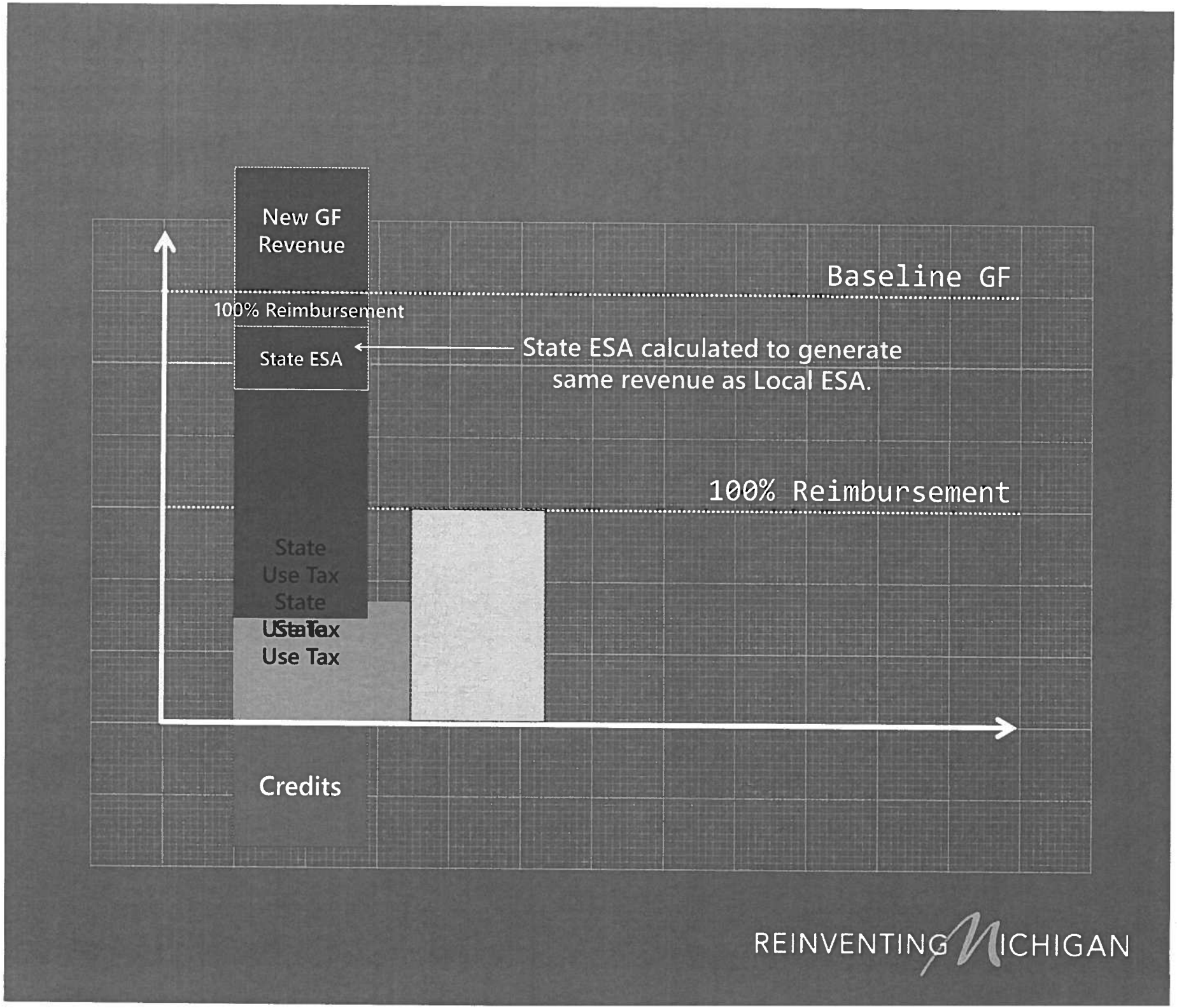
New GF Revenue
Baseline GF
100% Reimbursement
State ESA
State ESA calculated to generate same revenue as Local ESA.
100% Reimbursement
State Use Tax
State Use Tax
Credits
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Use Tax

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Proposal would give local governments title to a share of the state's use tax revenue.

It would not increase use tax revenue.

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The use tax was enacted in 1937.

Combined State and Local Use Tax cannot exceed 6% under the Constitution.

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Use tax is sales tax on:

- remote purchases
- telecom
- lodging

4¢ goes to the General Fund;
2¢ goes to the School Aid Fund.

Reimbursement only uses General Fund portion.

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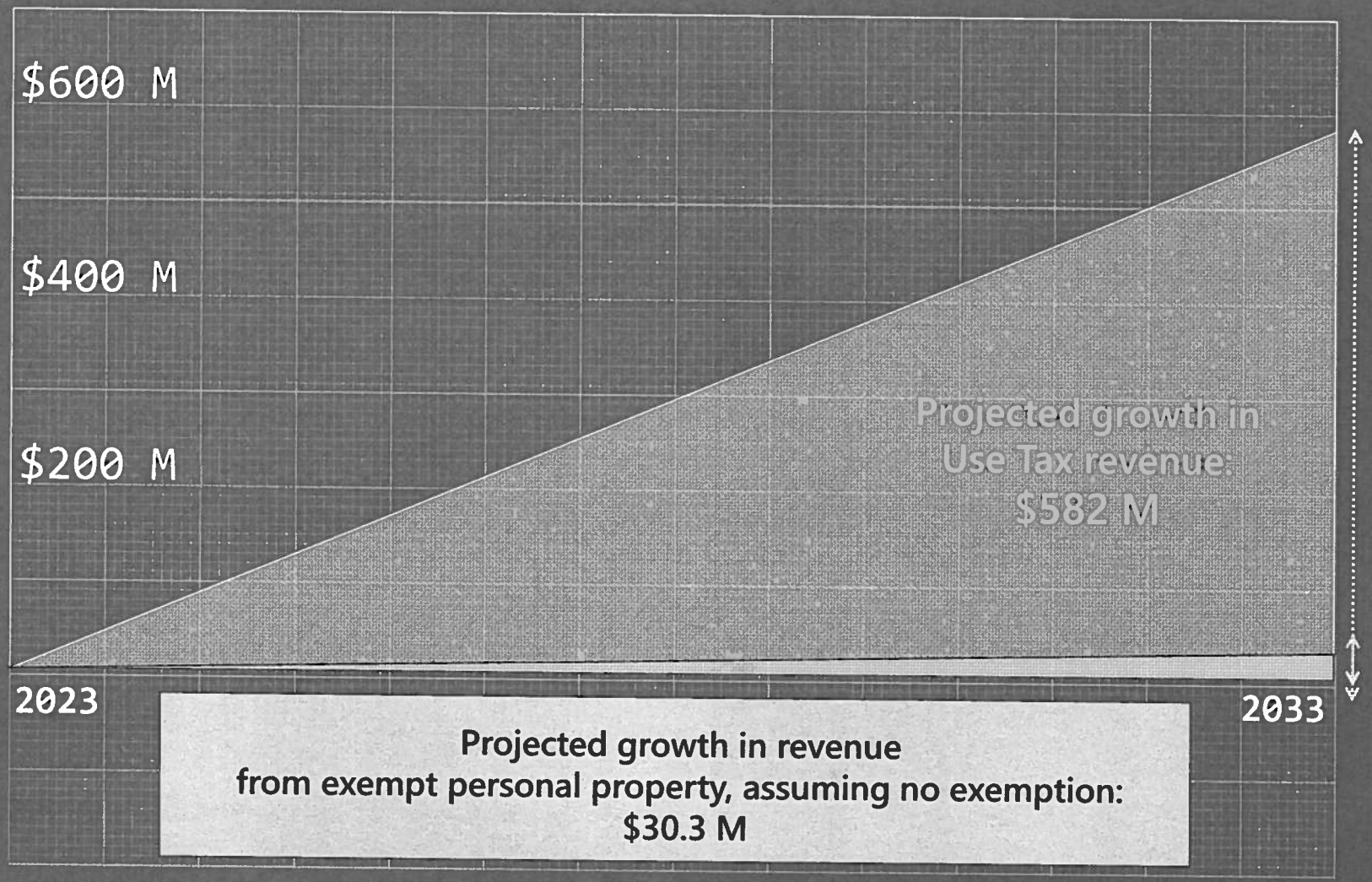
PROJECTED GROWTH OF EXEMPT PP REVENUE VS. USE TAX REVENUE 2023-2033



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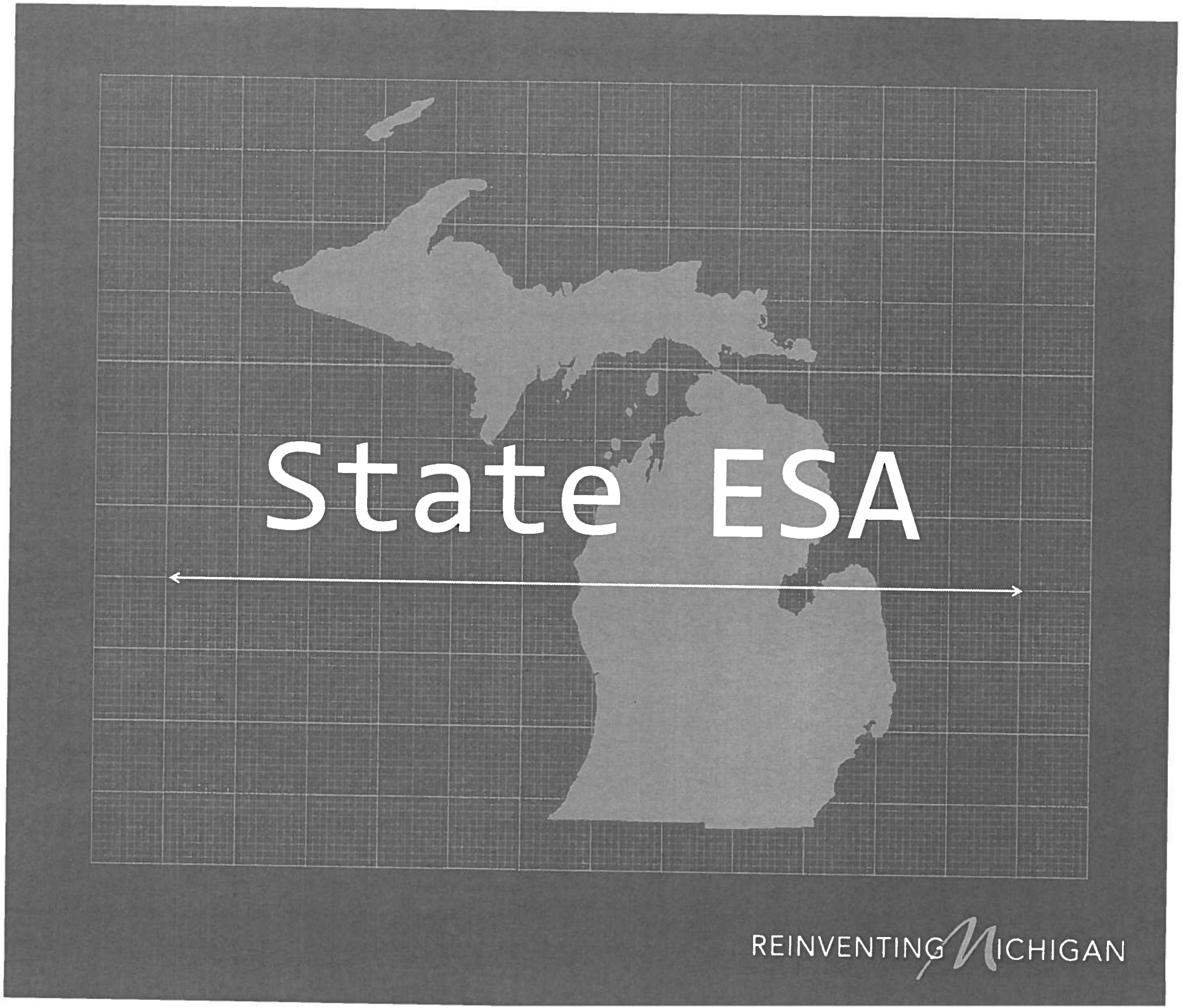
State ESA
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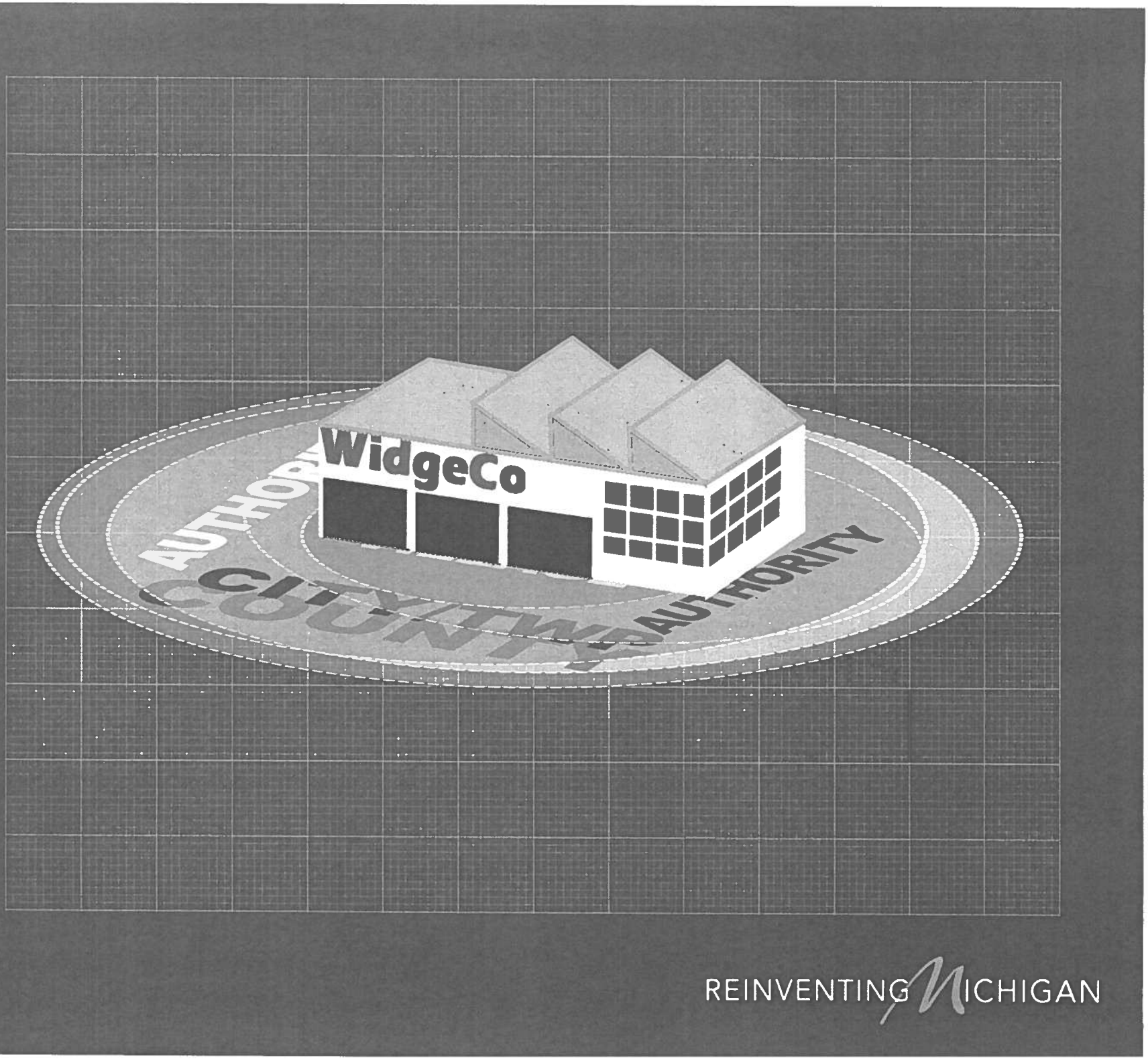

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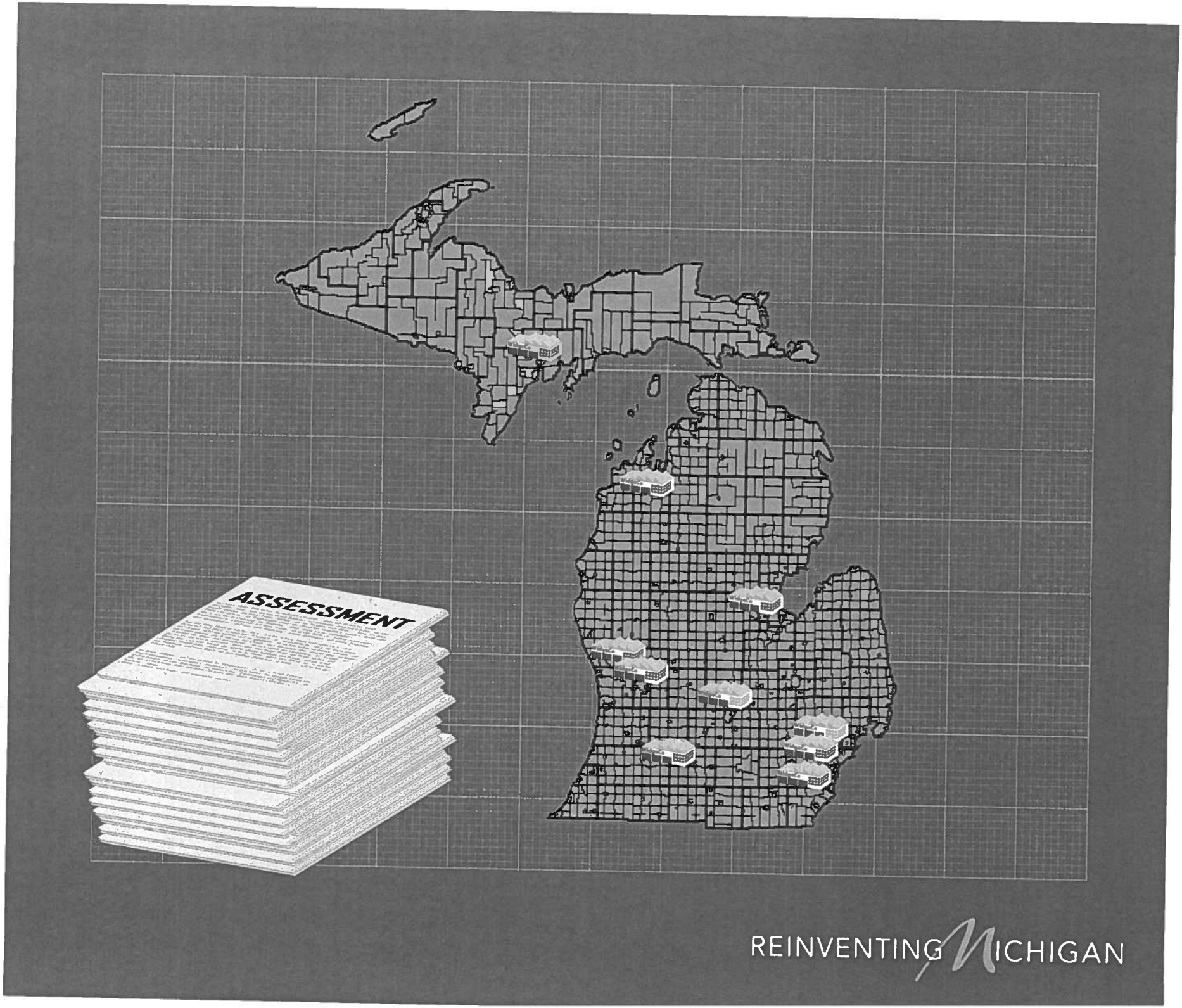
ASSESSMENT
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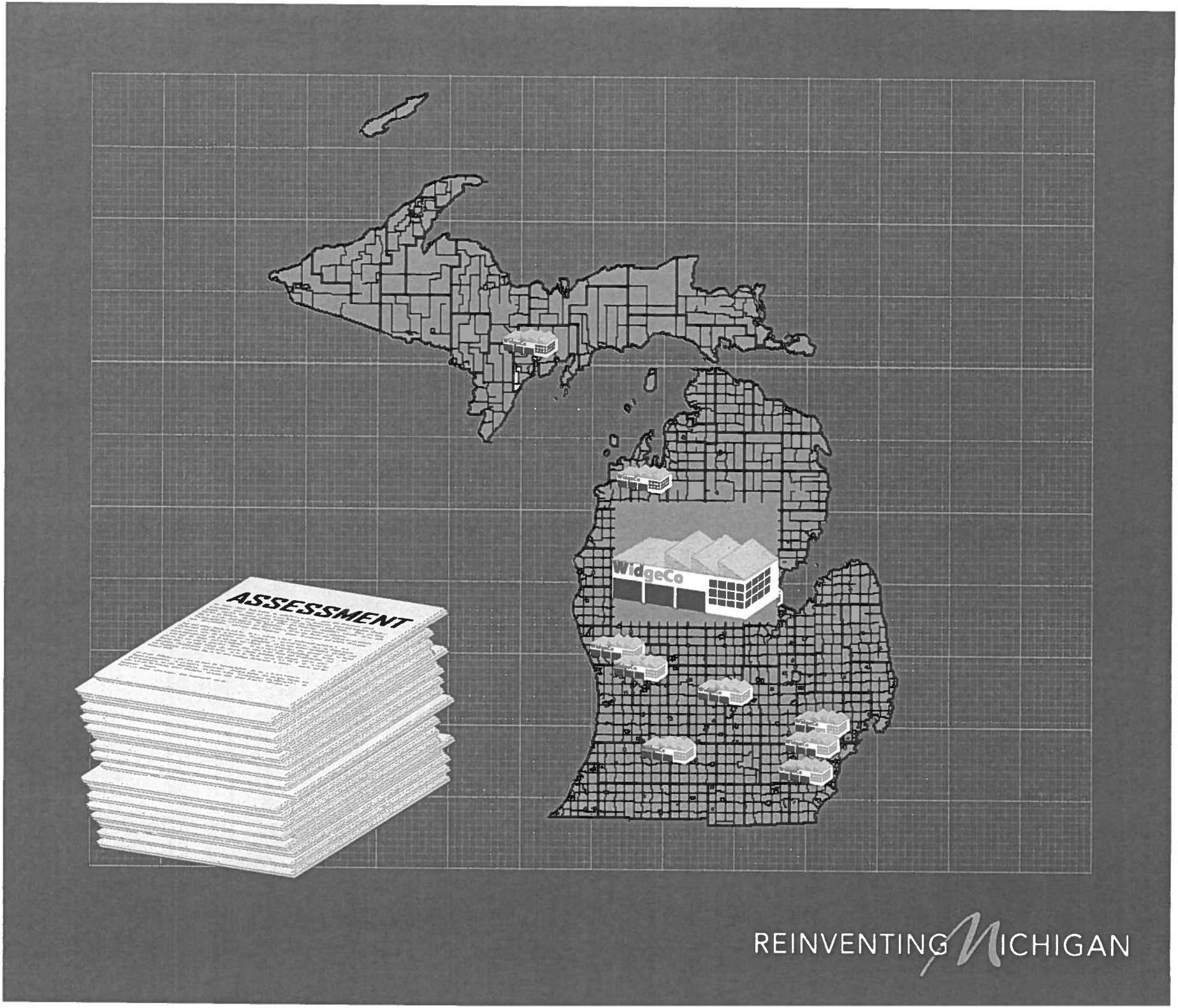
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Advantages of a State ESA

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Business

Local ESA	State ESA
Multiple assessing jurisdictions, forms and calculations.	One return submitted to the state.
Rates differ between units. Each rate recalculated annually.	Rates fixed in statute.
Real property is assessed. Value may not be comparable to exempt PP.	Assessment based on value of exempt PP.
Potential high cost of compliance.	Simple calculation consistent across Michigan.
Only applies to businesses claiming manufacturing exemptions.	

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Local Government

Local ESA	State ESA
Potential legal challenges.	Guaranteed funding.
Rate competition could create race to the bottom.	Uniform statewide rates.
Locals bear administrative costs.	State administers with greater efficiency.

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August 5th
Headlee Vote
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