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BILL ANALYSIS

House Bill 5261 (Substitute H-2 as reported without amendment)
Sponsor: Representative Jim Tedder
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to do the following:

-- Remove the requirement that a person file an exemption statement annually to claim a tax exemption for industrial or commercial personal property (under what is sometimes called the small parcel exemption), and instead require the statement to be filed no later than February 20 of the first year the exemption was claimed.
-- Specify that an exemption would remain in effect until the personal property was no longer eligible personal property.
-- Require an owner of personal property that was no longer eligible personal property to file a rescission, and provide that an owner who failed to do so and whose property was determined to be ineligible for the exemption would be subject to repayment of any additional taxes with interest.
-- Delete provisions that authorize an assessor to deny a claim for exemption for the current year and the immediately preceding three calendar years.
-- Allow a local unit of government to develop and implement a program to audit all of the information submitted with a claim for exemption for the current calendar year and the three previous calendar years.

MCL 211.9o Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State and local government, depending on whether deleting the annual filing requirement would result in an increase in claims for a personal property tax (PPT) exemption. In general, an additional PPT exemption reduces local property tax revenue and State School Aid Fund revenue from the State Education Tax, increases the State cost of the foundation allowance, increases State General Fund revenue from the Essential Services Assessment, and changes the distribution of reimbursement payments from the Local Community Stabilization Authority (LCSA) to eligible local governmental units, although total LCSA reimbursements are set in statute and would not be changed by the bill. The distributional changes would have a positive fiscal impact on some local units and a negative impact on others. Also, the General Fund is required to reimburse the School Aid Fund for lost revenue and additional costs of PPT exemptions. The magnitude and direction of these effects would depend on the number and specific characteristics of the properties approved that would not otherwise receive the exemption.

In addition, the change from annual to one-time filing for the exemption could lead to reduced administrative costs for local taxing units.

Date Completed: 3-21-18 Fiscal Analyst: Ryan Bergan