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**SFA**



**BILL ANALYSIS**

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Senate Bills 428, 429, 430, and 432 (as enrolled)  
Sponsor: Senator Bill Bullard, Jr.  
Senate Committee: Finance  
House Committee: Tax Policy

**PUBLIC ACTS 542-545 of 1998**

Date Completed: 1-25-99

**CONTENT**

**The bills amended various Acts to provide that after 1998, ad valorem special assessments levied under the Acts must be levied on the taxable value of the property assessed, rather than on its State equalized valuation (SEV). Each bill, except Senate Bill 429, states that if the levy of an ad valorem special assessment on the property's taxable value is found to be invalid by a court of competent jurisdiction, the levy of the ad valorem special assessment must be levied on the property's SEV.**

(Various State statutes authorize special assessments. In general, a special assessment is an assessment on a parcel of property for a specific purpose, such as lighting, streets, sewers, or water, that benefits the property subject to the special assessment; however, some special assessments are levied on all taxable real property within a local unit, for such things as police and fire services. Pursuant to the assessment cap placed in the State Constitution by the voters in 1994, the assessment on a parcel of property can increase, from one year to the next, only by the lesser of 5% or the rate of inflation; once a parcel is sold, the property is assessed at its market value and the new cap begins to apply again. Both the "taxable value" and the SEV of property are calculated each year; the taxable value reflecting the value at which the property is taxed pursuant to the assessment cap, and the SEV reflecting the property's increase (or decrease) in market value.)

**Senate Bill 428**

The bill amended the Township and Village Public Improvement and Public Service Act. Previously, under the Act, a special assessment installment for one year for an improvement authorized under the Act could not exceed 15% of a parcel's SEV; the total assessment installments for a combination of

improvements could not exceed 45% of the property's SEV. Under the bill, after 1998 the limits apply to property's taxable value.

**Senate Bill 429**

The bill amended the General Property Tax Act to specify that an ad valorem special assessment levied on property after 1998 must be levied on the property's taxable value, as determined under the Act.

**Senate Bill 430**

The bill amended Public Act 188 of 1954, which allows townships to make public improvements and levy special assessments to pay for the projects. Under the Act, the township board of any township may create an improvement revolving fund. Previously, the township board could transfer to the revolving fund from its general fund in any one year an amount up to two mills of the SEV of the real and personal property in the township, and in each subsequent year could transfer from the general fund to the revolving fund until that fund equaled five mills of the SEV of the property in the township. The bill provides that after 1998, the township board may transfer to the revolving fund from its general fund in any one year an amount up to two mills of the taxable value of the property in the township, and in each subsequent year may transfer money until that fund equals five mills of the taxable value of the property in the township.

**Senate Bill 432**

The bill amended Public Act 33 of 1955, which allows certain local units of government to provide for police and fire protection and to levy special assessments to pay for the equipment. Previously, to pay for police and fire vehicles, apparatus, equipment, and housing a township could, by

resolution, provide for the appropriation of general or contingent funds; the annual appropriation could not exceed 10 mills of the SEV of the area in which the services were to be provided. The bill provides that after 1998 the appropriation may not exceed 10 mills of the taxable value of the area to be served. Under the Act, if township boards acting individually or jointly determine to create a special assessment district for police and fire protection, they must determine the amount of special assessment levy to spread on the lands and premises to be benefitted by the protection. The bill provides that after 1998 the levy must be assessed on the taxable value of the lands and premises to be benefitted by the protection.

MCL 41.414 (S.B. 428)  
211.44c (S.B. 429)  
41.725 & 41.735b (S.B. 430)  
41.801 (S.B. 432)

Legislative Analyst: G. Towne

#### **FISCAL IMPACT**

The bills specify that special assessments levied after 1998 must be based on the taxable value of the assessed property. Local units that used the SEV for special assessments, and that do not increase millage rates, will experience decreased special assessment collections by using the taxable value.

Fiscal Analyst: R. Ross

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.