

MILLAGE ROLLBACKS

House Bill 4570 as introduced

Sponsor: Rep. Chris Ward

Committee: House Oversight, Elections, and Ethics

First Analysis (4-13-05)

BRIEF SUMMARY: The bill would change the May 31 threshold date for property tax rollbacks under the Headlee amendment to April 30, allowing for overrides to be approved by voters in May elections.

FISCAL IMPACT: The bill would have no impact on state revenues. At present, the impact on local units of government is indeterminate. (Also, see [Background Information](#).)

THE APPARENT PROBLEM:

Under the property tax process, property taxes are calculated by multiplying the taxable value of each property by the millage rate approved to be levied. Since the voters of Michigan amended the constitution in 1979 with what is known as the Headlee amendment (a proposal that amended 11 sections of the state constitution), local units have been required to roll back local authorized millage rates if the local tax base (or taxable value) increases more than inflation. The purpose of rolling back the millage rate is so that the municipality collects the same amount of tax as in the prior year plus an additional amount for inflation. In the alternative, local officials can request that voters approve the increase that exceeds the Headlee limit at an annual election (known as an "override.")

School district officials sometimes ask voters to approve the increase over the Headlee limit for authorized millage, in effect overriding the rollback provision of the constitutional amendment. See [Background Information](#) below. Customarily the question has been put to voters during the June school elections.

When the state legislature consolidated all elections during the last legislative session the June school elections were eliminated, and school officials had the option of setting their elections in the fall or during the spring in the month of May. Most school districts have opted to schedule school elections in May.

Currently under the General Property Tax Act the threshold date for authorized millage rollback calculations is May 31. Legislation has been proposed that would set the threshold on April 30, enabling school districts to place property tax rollback questions before the voters at the school elections in early May and collect the full amount of revenue that exceeded the rate of inflation if the rollback override were approved.

THE CONTENT OF THE BILL:

Generally speaking, the statutory provisions that implement the Headlee Tax Limitation Amendment to the state constitution require the rollback of millage rates in order to limit the increase from one year to the next in the total value of property (not including additions and losses) in a local unit of government to the rate of inflation. Under the General Property Tax Act, millage authorized by voters on or before May 31 in any year is subject to the rollback calculation in the same year. Millage authorized by voters after that date is not subject to rollback calculations until the year after voter authorization. House Bill 4570 would change the May 31 threshold date to April 30.

MCL 211.34d

BACKGROUND INFORMATION:

According to committee testimony, had the current consolidated election laws and authorized millage rollback policy been in effect during the past five years, the Ellsworth school district in northern Michigan, a district with 235 students and 16 teachers, would have lost the following amount of revenue.

<i>Year</i>	<i>Non-homestead taxable value</i>	<i>Percent increase</i>	<i>Total taxable value</i>	<i>Percent increase</i>	<i>Millage reduction</i>	<i>Actual amount district could levy</i>	<i>Revenue lost by immediate rollback</i>
2000	22,058,383	3	50,327,887	6	0.9813	17.6634	\$7,425
2001	23,948,960	9	54,692,880	9	0.9706	17.4708	\$12,674
2002	26,813,903	12	60,040,201	10	0.9534	17.1612	\$22,491
2003	27,622,030	3	63,111,102	5	0.9762	17.5716	\$11,833
2004	29,954,786	8	66,604,145	6	0.9699	17.4582	\$16,229

ARGUMENTS:

For:

In order to assure efficient and effective operations, school district officials sometimes find it necessary to ask voters to acknowledge the market-driven increase in the taxable value of property within the school district that exceeds the rate of inflation and to seek the voters' authorization to forego the millage rate rollbacks required under the Headlee amendment. This legislation will ensure that the increase in revenue that school electors intend when they override the rollback requirements at school elections in early May will be immediately realized by the school district.

POSITIONS:

The Department of Treasury supports the bill. (4-13-05)

Ellsworth Community Schools supports the bill. (4-13-05)

The Michigan Small and Rural School Districts support the bill. (4-13-05)

The Wayne Regional Education Services Agency supports the bill. (4-13-05)

The Hillsdale, Lenawee, Monroe, Washtenaw, and Jackson Intermediate School Districts support the bill. (4-13-05)

The Northern Michigan Schools Legislative Association supports the bill. (4-13-05)

Macomb Intermediate School District supports the bill. (4-13-05)

Middle Cities Education Association supports the bill. (4-13-05)

The Ottawa, Muskegon, and Kalamazoo Intermediate School Districts support the bill. (4-13-05)

Oakland Schools supports the bill. (4-13-05)

The Michigan Townships Association supports the bill. (4-13-05)

The Michigan Association of School Boards supports the bill. (4-13-05)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.