



December 21, 2012

## PPT SUMMARY

As you know, Personal Property Tax reform was approved in the last hours of the final legislative session. Yesterday it was signed into law by the Governor. During the signing ceremony both the Governor and Lt. Governor expressed their appreciation for the work we did to improve the legislation. Fine-tuning of the program is expected to occur during the first week of January and GVMC and our West Michigan PPT Work Group will be involved in that process.

I have received many questions from GVMC members about PPT and details regarding the legislation. In the future a great deal more information will be available as technical guidelines for implementation are developed. Below you will find a brief synopsis of the new legislation.

Qualifications for Replacement—Partial replacement will be paid out of a portion of the state use tax to those units of the government that have a reduction of their revenues of 2.3% or more because of PPT reform.

Exemptions—There will be an exemption beginning on 12/31/2013 for commercial and industrial property where the SEV is less than \$40,000 in a taxing unit. On Dec. 31, 2015, “qualified new personal property” will be exempted from

PPT as well.

Tie-Bar—The bills were amended to include language that states the acts will be repealed if the use tax replacement provisions are not approved by the voters of the state at the August 2014 election. This ties implementation of PPT reform with the election insuring partial replacement.

Metropolitan Authority Act—Expiring tax credits and a portion of the Use Tax will be used to reimburse local units of government 80% of the general fund revenue lost to PPT tax relief. 100% of the School Aid Fund and all school debt will be reimbursed by the fund. This provision which creates a Michigan Metropolitan Authority for collecting and distributing the funds is subject to approval by the voters in a state-wide election to be held in August 2014.

Local Government Special Assessment—A new local Essential Services Assessment could be levied by local governments on those industrial taxpayers who get PPT relief. (not those under \$40,000 SEV, they are fully exempt). This special assessment would be levied against the company’s real property, but could never exceed the amount of tax they would have paid to the PPT.

The legislation defines essential services as police, fire, ambu-

lance and jails. House Bill 6024 allows a local government to propose by resolution that all or a part of the revenues associated with these essential services that has been lost through PPT reform be assessed. This could result in 100% PPT replacement for essential services.

The creation of the special assessment district, the levy of the special assessment and other powers of the local governmental unit allowed in the new laws would not be subject to a referendum vote in the municipality.

Now that the Governor has signed the bills into law, what are the next steps? We will begin working with the Governor and Lt. Governor along with members of the legislature on some technical implementation issues. In August 2014, Michigan voters will be asked to allow revenues of the state’s use tax (currently used by the state) to be directed toward local governments to replace lost revenues due to PPT reform..

We will keep you informed if there are significant changes or updates!

