



April 20, 2012

Personal Property Tax Bills Introduced

The is no more important emerging issue for local government than the Personal Property Tax. This week, the Senate introduced an 8 bill package (Senate Bill 1065-72) to reform the Personal Property Tax act. Hearings will be taking place in the Senate Finance Committee over the next several weeks regarding this proposed plan. The first hearing was Wednesday afternoon.

Below you will find the key concepts of the package of bills. You can find copies Senate Bills 1065-1072 on the Senate Website at www.senate.michigan.gov. Look for "Bill Info" in the blue banner under the picture of the state capitol.

As mentioned this package of bills seeks to "reform" the Personal Property Tax. The proposals are as follows:

- Elimination of PPT for commercial and industrial businesses that have under \$40,000 worth of PPT in the same jurisdiction. An affidavit will have to be filed with the local collecting unit and Treasury.
- Credits that involve properties currently in PA 198, PA 328, Enterprise Zones and Technology Park Developments that qualify for an abatement will continue to qualify for relief until they become exempt.

- "Qualified New Personal Property" that meets the definition of "eligible manufacturing personal property" purchased after December 31st of 2011 will be exempt starting in 2015. Under the plan, payments will need to be made on this equipment until 2015.
- "Qualified Previously Existing Property" which is defined as "eligible manufacturing personal property" that is over 10 years old will also come off the books beginning in 2015. After 2015 a seven year phase-out period will begin that eliminates "qualified industrial property" purchased between 2005-2011.

As it pertains to local reimbursement, Treasury is instructed to create the "Personal Property Tax Reimbursement Fund" that will refund an estimated 81% of funds lost to local units of government.

Not only is the loss of local government revenue a concern in this legislation, but so is management of the reimbursement funds and the process. Currently local governments control their Personal Property Tax Revenues without state involvement. This legislation creates within state government a "Personal Property Tax Reimbursement Fund" which is controlled by the Department

of Treasury NOT the local governments. Local governments will be dependent on state government to reimburse lost revenues. In addition, it appears that reimbursement from the fund will only be allowed for governmental units that will lose in excess of 2% of their general fund revenues. The amount reduces to 1% for economically distressed governmental units.

Several of our members have asked if the hearing process is open to the public. Yes, the hearings are open, however, seating is limited and thus far the speakers have been by invitation.

The Michigan Senate is televised and the schedule of televised meetings and links to the broadcast are available at the website, www.senate.michigan.gov. Look on the right side of the page under Senate Links and you will find a link to "TV Live".

Next week the Legislative Committee will be meeting with Senators Mark Jansen and Dave Hildebrand. Members will be able to discuss their concerns directly with the Senators and provide specific data on how these proposed changes will impact their communities.

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