Property Tax Overview

Specific Tax Distribution

Presenter: Howard Heideman
Michigan Department of Treasury
Office of Revenue and Tax Analysis
Administrator, Tax Analysis Division
Specific Taxes - Distribution of ISD Special Ed. And Voc. Ed. mills

For IFT, NEZ, OPRA, Commercial Facilities Tax, Commercial Forest Tax, and Commercial Rehabilitation Tax and ETRPST only:

- the share of the tax attributable to ISD special ed. mills is paid to the school aid fund if the ISD receives special ed. millage equalization funding under section 56 (ICD 450).

- the share of the tax attributable to ISD voc. ed. mills is paid to the school aid fund if the ISD receives voc. ed. millage equalization funding under section 62 (ICD 510).

Otherwise, the ISD share of specific taxes is paid to the ISD.
Specific Taxes - Distribution of ISD Special Ed. And Voc. Ed. mills

Distribution of ISD Millage for Certain Specific Taxes Vocational Ed and/or Special Ed Millage

<table>
<thead>
<tr>
<th>Receives Payment</th>
<th>In-formula</th>
<th>Out-of Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Aid Fund</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Local ISD</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

In formula ISD for vocational education receives funding under section 62, ICD 510

In formula ISD for special education receives funding under section 56, ICD 450
Distribution of Specific Taxes

For industrial facilities tax, commercial facilities tax, technology park tax, commercial forest tax, MSHDA payments, neighborhood enterprise zone tax, obsolete properties tax, commercial rehabilitation act and ETRPST:

- the local school operating share is paid to the school aid fund.
Distribution of Specific Taxes (Continued)

• local school districts keep the share attributable to debt and sinking fund mills.
• for the MSHDA PILOT, technology park tax, commercial forest tax, and NEZ tax, the local school operating share of the specific taxes is calculated using the district’s 1993 operating millage rate less 6 mills.
• for IFT, commercial facilities tax, OPRA, commercial rehabilitation tax and the ETRPST, the local school operating share of the specific taxes is calculated using the district’s current operating millage rate.
Housing Facility Payments in Lieu of Tax

- PILOTs made by a municipal housing commission must be shared with all taxing units.
- PILOTs made by a municipal housing commission SHOULD NOT be reported on the MSHDA Fee Annual Return.
- The school operating share of a PILOT made by a municipal housing commission should be paid to the school district, unless the school district included a housing PILOT in its FY 1995 foundation allowance calculation.
- Do not report housing PILOTS made by Treasury under MCL 211.7d on MSHDA Form.
Howard Heideman
Michigan Department of Treasury

- HeidemanH@michigan.gov

- (517) 373-9002
  (517) 335-7437 beginning March 6, 2019
PERSONAL PROPERTY TAX (PPT) REIMBURSEMENTS UPDATE

PRESENTER: CARRIE KOLKA, MICHIGAN DEPARTMENT OF TREASURY
PERSONAL PROPERTY TAX LEGISLATION

• In 2012, legislation was passed providing personal property tax exemptions for small taxpayers (starting in 2014) and Eligible Manufacturing Personal Property (EMPP) (phase-in starting in 2016). Laws have been revised in 2013 through 2018.

• Reimbursement is provided through a share of the 6% Use Tax levied by the Local Community Stabilization Authority.

• August 2014 voter approval of Proposal 1 allowed laws to take effect.
SMALL TAXPAYER PERSONAL PROPERTY EXEMPTION

• To be eligible for the exemption, all property used by a claimant or a related party in a city or township must have a true cash value under $80,000, including leased and vendor-supplied property. If this test is met, exemption is for personal property owned by the claimant.

• Exemption affidavit must be postmarked by February 20. The exemption remains in effect until the personal property is no longer eligible and the owner must file a rescission.

• Upon audit, the assessor may deny the exemption for the current year and prior three years.
ELIGIBLE MANUFACTURING PERSONAL PROPERTY (EMPP) EXEMPTION

- The personal property tax on EMPP will be phased off of the tax rolls as follows:
  - Currently – Property first placed in service before 2009 and after 2012 is exempt.
  - 2020 – Property first placed in service in 2009 will be exempt.
  - 2021 – Property first placed in service in 2010 will be exempt.
  - 2022 – Property first placed in service in 2011 will be exempt.
  - 2023 – All EMPP will be exempt

- EMPP is personal property that is used at least 50% of the time in industrial processing or direct integrated support of industrial processing.
EMPP EXEMPTION (CONTINUED)

• For EMPP exemption, definition of industrial processing is tied to eligibility for sales/use tax industrial processing exemption.

• Exemption affidavit must be postmarked by February 20. Late filing is allowed to the March Board of Review.

• Assessor may deny exemption for current year.

• No exemption for property used to generate, transmit, or distribute electricity for sale.
LOCAL COMMUNITY STABILIZATION AUTHORITY ACT (LCSA ACT)

- Beginning for calendar year 2016, the LCSA Act, 2014 Public Act 86, MCL 123.1341 to 123.1362, requires PPT reimbursement to municipalities for operating and debt millages.
- The LCSA Act requires Treasury to calculate the PPT reimbursements.
- The LCSA Act requires the LCSA to distribute the PPT reimbursements.
PERSONAL PROPERTY TAX REIMBURSEMENT PRIORITY

The LCSA shall distribute reimbursements in the following order of priority:

1. 100% reimbursement for:
   a. Local school district and intermediate school district (ISD) school debt loss in the current year and local school district sinking fund millage and public recreation and playground millage;
   b. ISD operating millage;
   c. School operating loss not reimbursed by the school aid fund (i.e. hold harmless millage and operating millage for out-of-formula school districts);
   d. Millages used to fund essential services (i.e. police, fire, ambulance and jails);
   e. Decline in the tax increment finance authority (TIFA) plan captured value of commercial and industrial personal property;
PERSONAL PROPERTY TAX REIMBURSEMENT PRIORITY (CONTINUED)

1. 100% reimbursement for (continued):
   f. 2015 small taxpayer exemption loss;
   g. Beginning for calendar year 2019, distribution for fire protection funding to municipalities with state facilities; and
   h. Beginning for calendar year 2019, distribution of $10,000,000, in total, for required and allowable health services to municipalities that incur certain reasonable and allowable costs.

2. For calendar years 2016 and 2017, Local Community Stabilization Share (LCSS) revenue available for distribution was reimbursed to municipalities, other than school districts, ISDs, and TIFAs, based on the municipality’s proportionate share of qualified loss.
PERSONAL PROPERTY TAX REIMBURSEMENT PRIORITY (CONTINUED)

3. For calendar year 2018 and subsequent calendar years:
   a. Distribution of total qualified loss to municipalities, other than school districts, ISDs, and TIFAs:
      i. Beginning for calendar year 2021, 10% of the total qualified loss is reimbursed based on the municipality’s proportionate share of total acquisition cost of all eligible manufacturing personal property statewide. This distribution type will phase-in an additional 10% each year starting in calendar year 2022.
      ii. For calendar year 2018 to calendar year 2037, the total qualified loss less the amount distributed based on total acquisition cost of all eligible personal property statewide is reimbursed based on the municipality’s proportionate share of qualified loss. This distribution type will phase-out 10% in calendar year 2021, and an additional 10% each year starting in calendar year 2022.
PERSONAL PROPERTY TAX REIMBURSEMENT PRIORITY (CONTINUED)

3. For calendar year 2018 and subsequent calendar years (continued):
   b. Distribution of the municipality’s current year corrected reimbursement. For calendar year 2018 only, distribution of the net underpayment of the calendar years 2016 and 2017 corrected reimbursements.
   c. For calendar year 2018 only, distribution of $13,600,000, in total, for fire protection funding to municipalities with state facilities.
   d. Distribution of the remaining LCSS revenue available to a county, township, village, city, or community college based on the municipality’s proportionate share of 3.a. and 3.b. above, less any current year reimbursement overpayment.
PERSONAL PROPERTY TAX REIMBURSEMENT

- Reimbursements for most millages will be calculated using millage rates available to Treasury and personal property taxable values reported by county equalization directors.
- Most municipalities do not need to submit a claim for reimbursement.
- Tax increment finance authorities must claim a personal property loss reimbursement by June 15 on Form 5176, Form 5176BR, or Form 5176ICV.
- Local school districts and intermediate school districts may report debt millage levied by August 1 on Form 5451.
- Local school districts must report hold harmless millage levied by August 1 on Form 5609.
PERSONAL PROPERTY EXEMPTION LOSS (PPEL)

• For school districts, ISDs, or TIFAs, the PPEL is calculated by subtracting the current year taxable value of commercial personal property (CPP) and industrial personal property (IPP) from the 2013 taxable value of CPP and IPP.

• Calculations include Industrial Facilities Tax (IFT) property (new facilities at 50%).

• Calculations exclude property classified as either CPP or IPP in one year but classified as real property or utility personal in another year.

• For operating millage reimbursement calculations, Treasury will subtract renaissance zone personal property taxable value from the PPEL calculations.
PERSONAL PROPERTY EXEMPTION LOSS (PPEL) (CONTINUED)

- Beginning for calendar year 2018, the 2013 taxable value of CPP and IPP are the values reported by the county equalization director in calendar year 2015.

- Beginning in calendar year 2019, the current year taxable value of CPP and IPP as of May 10 will be reported by the assessor to the county equalization director by May 15. The county equalization director will report the current year taxable values to Treasury by May 31.
MILLAGE RATES USED

- For school district sinking fund, recreation, and operating millage, PPT reimbursements are calculated using the lesser of the highest individual millage rate levied in 2012 through 2014, or the individual millage rate levied in the prior year.

- For ISD millage, other than debt millage, PPT reimbursements are calculated based on each individual millage rate levied in the prior year, unless the total millage rate levied in the prior year exceeds the eligible millage cap. The eligible millage cap is the highest total millage levied in 2012 through 2014. If the ISD’s total millage rate levied in the prior year exceeds the eligible millage cap, then each individual millage rate levied in the prior year will be prorated downward so the total millage rate reimbursed equals the eligible millage cap.

- By May 1, Treasury reports the millage rates to be used in the PPT reimbursement calculations at www.michigan.gov/pptreimbursement.
HOLD HARMLESS MILLAGE RATE USED

- For hold harmless millage, PPT reimbursements are based on the current year millage rate levied or to be levied as reported on Form 5609 – Hold Harmless Millage Rate for Personal Property Tax Reimbursement.
- The hold harmless millage rate must be reported to Treasury annually by August 1.
2018 Hold Harmless Millage Rate for Personal Property Tax Reimbursement

Issued under the authority of Public Act 96 of 2014, as amended (MCL 123.1353(4)).

See instructions below.

<table>
<thead>
<tr>
<th>PART 1: SCHOOL DISTRICT INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of School District</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PART 2: 2018 HOLD HARMLESS MILLAGE RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enter the actual hold harmless millage rate levied or to be levied in calendar year 2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PART 3: CERTIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>In accordance with Public Act 96 of 2014, as amended, the undersigned hereby certifies to the Michigan Department of Treasury that the information provided above is accurate.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Printed Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature</td>
<td>Date</td>
</tr>
</tbody>
</table>

| Contact Telephone Number | Contact E-mail Address |

Return a completed and signed form to TreasORTAPPT@michigan.gov by August 1, 2018.

If you are unable to submit via e-mail, fax to 517-335-3296, or mail the completed form to:
Michigan Department of Treasury
Revenue Sharing and Grants Division
PO Box 30722
Lansing MI 48909
DEBT MILLAGE RATE USED

- For school district and ISD debt millage, PPT reimbursements are calculated using one of two options:
  - Option 1: For calendar years 2018 and 2019, the school district or ISD will have the option to be reimbursed for the current year debt millage rate levied for the payment of principal and interest of obligations approved by the electors before January 1, 2015 or obligations pledging the unlimited taxing power that were incurred before January 1, 2015. For calendar years after 2019, the school district or ISD will have the option to be reimbursed for the current year debt millage rate levied for the payment of principal and interest of obligations approved by the electors before January 1, 2013 or obligations pledging the unlimited taxing power that were incurred before January 1, 2013. This option must be elected annually by filing Form 5451 on or before August 1.
• Option 2: If a school district or ISD fails to file Form 5451 by August 1 or if the school district or ISD does not elect to use the current year debt millage rate levied for obligations approved or incurred before January 1, 2015 or January 1, 2013, as applicable, then its school debt loss reimbursement will be calculated using the lesser of the highest total of all debt millage rates levied in 2012 through 2014 or the total of all debt millage rates levied in the prior year.

• Note: If a school district or ISD fails to submit the Form 5451 or elects to use the current year levy of certain obligations, then its debt millage rate will be calculated by the Department of Treasury for that year and all future years by using the lesser of the highest total of all debt millage rates levied in 2012 through 2014 or the total of all debt millage rates levied in the prior year.
### PART 1: SCHOOL DISTRICT/ISD INFORMATION

<table>
<thead>
<tr>
<th>Name of School District/ISD</th>
<th>MOC Code</th>
</tr>
</thead>
</table>

Will your school district/ISD levy debt millage in 2018?

- Yes
- No (skip Part 2 and complete Part 3)

If your school district/ISD will levy debt millage in 2018, select one of the following options:

1. The school district/ISD elects to be reimbursed based on the portion of the current year debt levy for the payment of principal and interest of obligations approved by the voters before January 1, 2015 or obligations pledging the unlimited taxing power of a local school district or intermediate school district incurred before January 1, 2015. (Complete the remainder of the form.)

2. The school district/ISD elects to be reimbursed based on the lesser of the following rates:
   - The highest total of all debt millage rates levied in 2012 through 2014, and
   - The total of all debt millage rates levied in 2017. (Skip Part 2 and complete Part 3)

NOTE: If a school district/ISD does not select option 1, the school district/ISD's debt millage rate used in the calculation of the school debt loss reimbursement will be calculated by the Department of Treasury using the debt millage rate described in option 2. Additionally, if a school district/ISD fails to submit this form or fails to select option 1 in a given year, then the school district/ISD's debt millage rate will be calculated by the Department of Treasury for that year and all future years.

### PART 2: SCHOOL DEBT MILLAGE RATE INFORMATION

1. Enter the actual debt millage rate levied in calendar year 2016 specifically to pay principal and interest of obligations approved by the voters before 2015.

2. Enter the actual debt millage rate levied in calendar year 2016 specifically to pay principal and interest of obligations incurred after 2014 that were obligations approved by the voters before 2015. Include only the portion of the debt millage levied to repay the obligations approved by the voters before 2015.

3. Enter the 2016 debt millage rate eligible for reimbursement. Add lines 1 and 2.

4. Enter the actual debt millage rate levied in calendar year 2016 specifically to pay principal and interest of obligations approved by the voters after 2014 and not reported on line 2. Millage reported on this line is not eligible for reimbursement.

5. Enter actual total debt millage rate levied in calendar year 2016 specifically to pay principal and interest of obligations approved by the voters. Add lines 3 and 4. NOTE: This total should equal the total millage requested to be levied July 1 and December 1 that is reported on the 2016 Tax Rate Request (MCL 402.19...)

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate in 2016</th>
<th>Rate in 2017</th>
<th>Rate eligible for reimbursement</th>
<th>Total in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td>0.0000</td>
</tr>
</tbody>
</table>
DEBT MILLAGE RATE CALCULATION

- Beginning for calendar year 2018, the LCSA Act requires a school district/ISD to reduce its current year debt millage rate to reflect the current year school debt loss payment that will be received.

- For example:
  - 2019 Debt service (adjusted for reserve and uncollectible taxes): $200,000
  - 2019 School debt loss payment: $2,000
  - 2019 Desired debt tax levy: $200,000 minus $2,000, or $198,000
  - 2019 Taxable Value: $100,000,000
  - 2019 Debt millage rate: $198,000 divided by $100,000,000 and multiplied by 1,000, or 1.9800 mills
PPT REIMBURSEMENT CAPTURE BY TIFAS

• TIFAs are reimbursed for PPT loss on Form 5176, Form 5176BR, or Form 5176ICV.

• Reimbursements to school districts for sinking fund millage and recreation millage and to ISDs for operating millage are reduced for payments to TIFAs for the corresponding school district and ISD millage.
PPT REIMBURSEMENT CORRECTION PROCESS

• Beginning for calendar year 2018, the LCSA Act created a process for correcting errors in the 2016 PPT adjustment payments, 2017 PPT reimbursements, and future PPT reimbursements.

• Municipalities will be responsible for notifying Treasury of reporting errors or calculation errors no later than March 31 of the year following the calendar year for which the payments are calculated.

• Underpayment amounts will be distributed by May 20.

• Overpayment amounts exceeding $10,000 will be billed to the municipality by the LCSA in three equal annual amounts.
PPT REIMBURSEMENT CORRECTION PROCESS (CONTINUED)

• How does a municipality know if there is an error?
  
  • In order for a municipality to determine if there was a reporting error or a calculation error, the municipality will need to review the PPT reimbursement calculations, millage rates, and taxable values posted to the Michigan Department of Treasury’s website (www.Michigan.gov/pptreimbursement).
PPT REIMBURSEMENT CORRECTION PROCESS (CONTINUED)

- What form should a municipality use to notify Treasury of an error?

<table>
<thead>
<tr>
<th>Form Number</th>
<th>Form Title</th>
<th>Due Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>5649</td>
<td>Correction of 2013, 2016, and 2017 Personal Property Taxable Values Used for the 2016 and 2017 Personal Property Tax Reimbursement Calculations</td>
<td>March 29, 2019</td>
</tr>
<tr>
<td>5650</td>
<td>Correction of Personal Property Taxable Values Reported by the County Treasurer to the Michigan Department of Education as of July 10, 2017</td>
<td>March 29, 2019</td>
</tr>
<tr>
<td>5651</td>
<td>Correction of 2018 Personal Property Taxable Values Used for the 2018 Personal Property Tax Reimbursement Calculations</td>
<td>March 31, 2019</td>
</tr>
<tr>
<td>5654</td>
<td>Correction of Millage Rate or Other Errors for Personal Property Tax Reimbursement Calculations</td>
<td>March 31, 2019</td>
</tr>
<tr>
<td>5658</td>
<td>Modification of 2013, 2014, and 2015 Personal Property Taxable Values Used for the 2018 Personal Property Tax Reimbursement Calculations</td>
<td>March 31, 2019</td>
</tr>
</tbody>
</table>
WHEN SHOULD A MUNICIPALITY EXPECT A REIMBURSEMENT?

<table>
<thead>
<tr>
<th>Personal Property Tax Reimbursement Type</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement up to 100% of calculated losses for County allocated millage, to municipalities that do not</td>
<td>October 20</td>
</tr>
<tr>
<td>levy millage 100% in December, and TIFAs</td>
<td></td>
</tr>
<tr>
<td>Reimbursement up to 100% of calculated losses for Townships, County extra-voted millage, and to</td>
<td>February 20</td>
</tr>
<tr>
<td>municipalities that levy millage 100% in December</td>
<td></td>
</tr>
<tr>
<td>Payment of prior year underpayment, current year underpayment, and prorated qualified loss in excess of</td>
<td>May 20</td>
</tr>
<tr>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Note: If a payment date falls on a Saturday, Sunday, or State holiday, the payment date will be the next business day.
LOCAL COMMUNITY STABILIZATION SHARE (LCSS) REVENUE

- The LCSS revenue is derived from the State Use Tax. The LCSA Act established the amount of revenue that shall be distributed by the LCSA. The following table provides the amount of revenue that shall be distributed for each tax year:

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Revenue to be Distributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$374,300,000</td>
</tr>
<tr>
<td>2017</td>
<td>$404,700,000</td>
</tr>
<tr>
<td>2018</td>
<td>$430,800,000</td>
</tr>
<tr>
<td>2019</td>
<td>$460,400,000</td>
</tr>
<tr>
<td>2020</td>
<td>$484,900,000</td>
</tr>
</tbody>
</table>
LOCAL COMMUNITY STABILIZATION SHARE (LCSS) REVENUE (CONTINUED)

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Revenue to be Distributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$513,700,000</td>
</tr>
<tr>
<td>2022</td>
<td>$543,900,000</td>
</tr>
<tr>
<td>2023</td>
<td>$558,600,000</td>
</tr>
<tr>
<td>2024</td>
<td>$568,600,000</td>
</tr>
<tr>
<td>2025</td>
<td>$571,100,000</td>
</tr>
<tr>
<td>2026</td>
<td>$572,000,000</td>
</tr>
<tr>
<td>2027</td>
<td>$572,500,000</td>
</tr>
<tr>
<td>2028 and forward</td>
<td>Increase the distribution amount by the personal property growth factor</td>
</tr>
</tbody>
</table>
FOR INFORMATION ABOUT PPT REIMBURSEMENTS

- Revenue Sharing and Grants Division, Michigan Department of Treasury
- For more information, visit:
  - www.michigan.gov/pptreimbursement
- Questions:
  - Current phone number is 517-373-2697.
  - Starting March 7, the new phone number will be 517-335-7484.
  - TreasORTAPPT@michigan.gov