

Distribution to Cities for Non-Debt Personal Property Taxes Lost in 2014 and 2015 Due to the New Small Taxpayer Personal Property Exemption

The personal property tax reforms and reductions enacted in 2014 include certain distributions to municipalities to reimburse them for the resulting decreases in their personal property taxes. One of these distributions, found in Section 17(3) of the Local Community Stabilization Authority (LCSA) Act, 2014 Public Act 86 (MCL 123.1341 to MCL 123.1362), requires the LCSA to distribute \$19.2 million (Section 17(8)(a) of the Act) to cities by October 20, 2015 (Section 17(5) of the Act). This distribution is intended to reimburse cities for their 2014 and 2015 personal property tax loss from millage not used to pay debt. However, Section 14(3) of the Act requires the distribution to be calculated using both operating and debt millage and then subtract out debt loss and city millage reimbursed to TIF plans.

According to Section 14(3) of the Act, the Michigan Department of Treasury (Treasury) is responsible for calculating each city's distribution amount. Treasury originally calculated the Section 17(3) distribution by subtracting each city's debt loss reimbursement, claimed under Section 17(2) of the Act. It was noted, on October 16, 2015, that Section 14(3) of the Act requires a subtraction for each city's debt loss, whether or not a reimbursement for that loss had been claimed. However, data needed to accurately calculate the city debt loss was not available to Treasury by October 20, 2015, and it will take several weeks for Treasury to compile each city's debt loss for 2014 and 2015. As a result, on October 20, 2015, Treasury certified a partial distribution of \$15,736,006 to 214 cities with a small taxpayer exemption loss. This distribution reflects 100 percent reimbursement of 2014 and 2015 operating millage less amounts reimbursed to TIF plans for city millage and amounts reimbursed to cities under Section 17(2) of the Act.

Once the data for each city's 2014 and 2015 debt loss is compiled, the distribution of the remaining \$3,463,994 will be calculated by Treasury and certified to the LCSA for distribution. This final distribution to cities under Section 17(3) stems from the design of the proration formula contained in that section and represents payment in excess of 100 percent reimbursement. This payment will be finalized and distributed in early December 2015, if not sooner.