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STATE OF MICHIGAN

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DEPARTMENT OF TREASURY

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Bulletin No. 6
April 3, 1989
Millage Requests and
Millage Rollbacks

TO : County Clerks, Treasurers, Equalization Directors, and Chairpersons of Boards of Commissioners;
Township Clerks, Treasurers, Supervisors, and Assessors;
City Clerks and Assessors;
Village Clerks;
School District Boards of Education;
Intermediate School Districts;
Community College Boards of Trustees;
Authority Governing Bodies

FROM: State Tax Commission

This bulletin is being distributed through the clerks of the counties, townships and cities for their further distribution to the named officials in those governmental units. The cooperation of the clerks is appreciated.

The subject of this bulletin (#6) is the 1989 Form L-4029 Millage Request Report and Required Millage Rollbacks. Bulletins 1 through 5 pertained to assessment administration and were distributed only to assessing officers and equalization directors.

To obtain a complete copy of the General Property Tax Act, being section 211.1 to 211.157 of the Michigan Compiled Laws, send $5.00 per set to the Local Property Services Division, Treasury Building, Lansing, Michigan 48922. Please make the check payable to the State of Michigan. Refer to account #110-92-206, General Property Tax Act. The 1988 General Property Tax Act Revisions, including 1988 Public Acts are available at a cost of $2.00 each at the same address.

RECYCLED PAPER

Millage Reduction Calculations or Rollbacks

A 1989 Form L-4029 with instructions and an explanation of compounded millage reduction fractions (MRF's) have been incorporated into this bulletin. 1982 Public Act 539 has changed the formula for the millage reduction fraction. The changed formula does not affect any millage reduction fractions for any year prior to 1983 which were previously calculated.

1989 MILLAGE REDUCTION FORMULA

The inflation rate for determining the 1989 millage reduction fraction for any local government unit is 1.041.

$$\text{1989 MRF} = \frac{\text{(TOTAL 1988 S.E.V. - LOSSES S.E.V.) X 1.041}}{\text{1989 S.E.V. - ADDITIONS S.E.V.}}$$

The compounded MRF used for 1989 to determine the allowable tax levy rate is to be determined by the financial officer of each taxing jurisdiction. The compounded MRF used in 1989 will be equal: to the 1989 MRF; to the product of the 1988 compounded MRF multiplied by the 1989 MRF; or it may be equal to 1.0000 depending on the source of the tax rate and the date of the election which authorized the rates. The compounded MRF used in 1989 shall be calculated as the product of the 1988 compounded MRF multiplied by the 1989 MRF.

(See Instructions for Form L-4029, Column 7). The compounded MRF shall not exceed 1.0000. The applicable MRF cannot exceed 1.0000 for newly voted levies, debt, or special assessments and cannot exceed the 1989 compounded MRF for other levies subject to rollbacks).

MILLAGE ROLLBACKS RELATED TO STATE EQUALIZATION, SEC. 34, TRUTH IN ASSESSING, AND TRUTH IN COUNTY EQUALIZATION ROLLBACKS

There may be counties, villages, townships, or cities which will be impacted by the additional rollback requirement of Section 34 of the General Property Tax Act. A copy of that provision and an explanation of its impact has also been included as follows:

Section 34 of the General Property Tax Act, being section 211.34 of the Michigan Compiled Laws provides that: "...Each year the county board of commissioners shall advise the local taxing units when the state tax commission increases the equalized value of the county as established by the board of county commissioners and each taxing unit other than a city, township, school district, intermediate school district, or community college district, shall immediately reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that subsequent to the increase

ordered by the State Tax Commission pursuant to Act No. 44 of the Public Acts of 1911, as amended, being section 209.1 to 209.8 of the Michigan Compiled Laws, total property taxes levied for that unit shall not exceed that which would have been levied for that unit at its maximum authorized millage rate, as determined after any reduction caused by section 34d, if there had not been an increase in valuation by the state. If its state equalized valuation exceeds its assessed valuation...a city or township shall reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that total property taxes levied for that unit do not exceed that which would have been levied based on its assessed valuation."

This required reduction applies only to maximum authorized millage and reduces the "authorized rate" after the application of the compounded millage reduction fraction required by section 211.34d, M.C.L.

In 1989, the increase by the state tax commission to the valuation of any separately equalized classification will require a reduction of the total authorized rate pursuant to Section 211.34, M.C.L., if applicable. The final allowable levy rate will be multiplied in the 1989 tax roll by the state equalized valuation of each item of property in each classification after accounting for any Truth in Taxation limitation required by section 211.24e, M.C.L.

For the county, village and authority rollbacks, the rollback fraction is calculated by dividing the TOTAL COUNTY EQUALIZED VALUATION FOR ALL CLASSES by the TOTAL STATE EQUALIZED VALUATION FOR ALL CLASSES.

Truth in County Equalization does not affect the assessment units: townships or cities. In addition, school districts are not affected.

Villages and authorities will require factoring of the assessed valuations to obtain county equalized valuations and state equalized valuations needed to calculate the section 34 rollback fraction, equal to TOTAL C.E.V./TOTAL S.E.V. for each village or authority affected. Authorities located in more than one county are not affected by the rollback required by section 211.34, M.C.L.

The township or city truth in assessing rollback fraction shall be calculated separately for each township or city. The fraction numerator is the total assessed valuation as approved by the board of review; the denominator is the total state equalized valuation for all classes combined. The township or city rollback fraction is calculated by dividing the TOTAL ASSESSED VALUATION FOR ALL CLASSES by the TOTAL STATE EQUALIZED VALUATION FOR ALL CLASSES.

The section 211.34, M.C.L., truth in assessing rollback applies in 1989 to any township or city if the total S.E.V. exceeds the total assessed valuation by any amount.

BASE TAX RATE FORMULA (SEC. 211.24e, TRUTH IN TAXATION)

1989 BASE TAX RATE = 1988 OPERATING LEVY RATE X BASE TAX RATE FRACTION (BTRF)

$$\text{1989 BTRF} = \frac{\text{1988 TOTAL S.E.V. - LOSSES S.E.V.}}{\text{1989 TOTAL S.E.V. - ADDITIONS S.E.V.}}$$

The base tax rate fraction is calculated each year and does not compound.

The same quantities are used for calculating the BTRF as are required for the MRF for the 1988 S.E.V., 1989 S.E.V., LOSSES S.E.V., and ADDITIONS S.E.V. for each separate unit of local government.

The base tax rate is calculated by multiplying the base tax rate fraction by the operating tax rate levied in the immediately preceding year.

The section 211.24e, Truth in Taxation provisions are not applicable to a taxing jurisdiction that levied an operating tax of one mill or less in the immediately preceding year.

The procedure for levying an operating tax rate that exceeds the base tax rate is prescribed in section 211.24e, however, a tax rate cannot exceed the maximum allowable rate under any circumstances.

Special Note for Counties Only: A county must reduce its base tax rate for Truth in Taxation purposes by a rate produced by dividing its estimated Convention Facilities Tax Revenue by the county's current year's S.E.V. A further reduction in a county's 1989 base tax rate must be made in the same manner for the estimated cigarette tax revenue to be received by the county during the calendar year 1990. The payments of this tax to the county will be made in the months of February, May, August, and November of 1990 from collections made in the immediately preceding calendar quarter. An estimate of this revenue and the convention facilities tax revenue will be sent to the counties in late summer of 1989.

Michigan Department of Treasury
L-4029 (Rev. 1-89)

1989 TAX RATE REQUEST

MILLAGE REQUEST REPORT TO COUNTY BOARD OF COMMISSIONERS

Issued under MCL Sections 211.24e, 211.34 and 211.34d.
Filing is mandatory; penalty applies.

County	1989 SEV (As of 5/22/89)
Local Government Unit	

ORIGINAL TO: County Clerk (s)
COPY TO: Equalization Department(s)
COPY TO: Each township or city clerk

You must complete this form for each unit of government for which a property tax is levied. Penalty for non-filing is provided under MCL Sec. 211.119.

The following tax rates have been authorized for levy on the 1989 tax roll.

(1) Source	(2) Purpose of Millage	(3) Date of Election	(4) Maximum Millage Authorized	(5) 1988 Compound Millage Reduction Fraction	(6) Current Year Millage Reduction Fraction	(7) Applicable Millage Reduction Fraction	(8) Sec. 211.34 Millage Reduction Fraction	(9) Maximum Allowable Millage Levy*	(10) Millage Requested to be Levied July 1	(11) Millage Requested to be Levied Dec. 1

Prepared by:	Title	Date

As the representative for the local government unit named above, we certify that these requested tax levy rates have been reduced, if necessary to comply with the state constitution (Article 9, Section 31), and that the requested levy rates have also been reduced, if necessary, to comply with MCL Sections 211.24e and 211.34.

☐ Clerk ☐ Secretary	Signature	Type Name	Date
☐ Chairperson ☐ President	Signature	Type Name	Date

Under Truth in Taxation, MCL Section 211.24e, the governing body may decide to levy a rate which will not exceed the maximum authorized rate allowed in column 9. A public hearing and determination is required for an operating levy which is larger than the base tax rate but not larger than the rate in column 9.

INSTRUCTIONS FOR
1989 TAX RATE REQUEST
Millage Request Report to County Board of Commissioners

These instructions are provided under MCL Sections 211.24e (truth in taxation), 211.34 (truth in county equalization and truth in assessing), 211.34d (Headlee), and 211.36 and 211.37 (apportionment).

Column 1: Source. Enter the source of each millage. For example, 15 mill allocation, separate millage limitations voted, charter, approved extra-voted millage, etc.

Column 2: Purpose of Millage. Examples are: operating, building and site, debt service, special assessment, etc.

Column 3: Date of Election. Enter the month and year of the election for each millage authorized by direct voter approval.

Column 4: Maximum Millage Authorized. List the allocated rate, charter aggregate rate, extra-voted authorized before 1979, each separate rate authorized by voters after 1978, debt service rate, etc. (This rate is the rate before reduction caused by MCL Section 211.34 if state equalized valuation exceeds county equalized valuation or assessed valuations.)

Column 5: 1988 Compounded Millage Reduction Fraction. List the applicable millage reduction fraction from column 7 of your 1988 Tax Rate Request (form L-4029) for each separate millage listed. **Note:** These 1988 compounded millage reduction fractions may not be the same for all millages to be levied by a taxing district. Also, voters could have increased one or more of these fractions to a maximum of 1.0000.

Column 6: Current Year Millage Reduction Fraction. List the millage reduction fraction certified by the county treasurer for the current year.

Column 7: Applicable Millage Reduction Fraction. For millage not subject to reduction, enter 1.0000. For millage subject to the reduction fraction from a single year, enter the lower of 1.0000 or the current year millage reduction fraction. For millage subject to the reduction fraction for more than one year, enter the compounded millage reduction fraction for the period since authorization was voted. (See examples on back.)

Column 8: Sec. 211.34 Millage Reduction Fraction. List the millage reduction fraction for 1989 for each millage which is an operating rate. Use 1.0000 for school districts and for special assessments and bonded debt retirement levies. For counties, villages and authorities, calculate as TOTAL C.E.V./TOTAL S.E.V. For townships and cities, calculate as TOTAL ASSESSED VALUATION/TOTAL STATE EQUALIZED VALUATION. This fraction shall not exceed 1.0000. Use 1.0000 for an authority located in more than one county.

Column 9: Maximum Allowable Millage Levy. Multiply column 4 (maximum millage authorized) by column 7 (applicable millage reduction fraction) and also by column 8 (Sec. 34 millage reduction fraction). Round the rate to the nearest 0.0001 mill.

Column 10/Column 11: Millage Requested to be Levied. Enter the tax rate approved by the unit of local government provided that the rate requested does not exceed the maximum allowable millage levy (column 9). A millage rate that exceeds the base tax rate cannot be requested unless the requirements of the hearing, etc., have been met.

Examples for Column 7

a. For millage approved by the voters after May 31, use 1.0000 for the first year levied.

b. For debt service or special assessments not subject to a millage reduction fraction, enter 1.0000.

c. For millage authorized by county tax allocation board enter the compounded millage reduction fraction beginning with the 1979 reduction fraction, unless there has been voter approval of an increase in the fraction restoring it to 1.0000, etc.

d. For a separate millage limitation voted after 1978, enter the compounded millage reduction fraction beginning with the date of voter approval (see (a.) above). Separate millage approved before 1979 is to be reduced in the same manner as millage allocated by tax allocation board. Revoting of separate millage limitations constitutes approval by the voters as of the date of the most recent election approval.

e. There is not necessarily a single millage reduction fraction for all millages authorized for a single taxing jurisdiction. For example, in 1989, a school district might have a separate limitation of 9.0 mills subject to the compounded millage reduction fraction for each year from 1979 through 1989. In 1981, it might have voted 10 extra mills reduced by the compounded millage reduction fraction for each year from 1982 through 1989. It might also have voted five extra mills on June 5, 1989 which would have a fraction of 1.0000.

f. The applicable millage reduction fraction for any millage cannot exceed 1.0000. By statute, the 1979 reduction fraction is limited to 1.0000. Thereafter, the compounded millage reduction fraction cannot exceed 1.0000. The compounded millage reduction fraction for a year is equal to the compounded reduction fraction for the prior year multiplied by the current year millage reduction fraction, but not to exceed 1.0000.

After a unit of local government has been subjected to a millage reduction fraction of less than 1.0000, such as .9000, the compounded millage reduction fraction might increase due to a subsequent current year reduction fraction larger than one, such as 1.2000.

When this occurs, the compounded millage reduction fraction of .9000 x the current year millage reduction fraction of 1.2000 = 1.0800. The compounded 1.0800 would become 1.0000 because that is the maximum limit for the compounded fraction. If in the following year, the current year reduction fraction was .9500, the compounded millage reduction fraction would be 1.0000 x .9500, and not 1.0260 (1.0800 x .9500). Calculated compounded millage reduction fractions which would exceed 1.0000 cannot be "banked" to offset future reductions.

Date of Election to Authorize Millage. A millage authorized by voters after May 31 is not subject to a millage reduction until the year following the authorization. (MCL 211.34d(9))

Waiver of Constitutional Millage Reductions. Voters may approve the levy in that year of the local government unit's authorized millage without regard to the required millage reduction or to increase that year's compounded millage reduction fraction to 1.0000. (MCL 211.34d(11))

Waiver of Future Constitutional Millage Reductions Prohibited. A unit of local government cannot obtain voter approval to disregard the constitutional reduction for future years, i.e. voters cannot approve a waiver in 1988 for 1989 or any other future year. The waiver approval by the voters may be obtained in the same year in which that year's constitutional reduction is to be waived.

Date of Election for Waiver of Constitutional Millage Reductions. A unit of local government that obtains voter approval after May 31 to levy its authorized millage without regard to the required constitutional millage reduction would not be subject to a rollback in that year. For example, if the voters approved the waiver of the constitution millage reductions at an election on June 5, 1989, the compound millage reduction fraction for 1989 tax levies would be equal to 1.0000 for each millage rate authorized for that unit of local government.

Michigan Department of Treasury
L-4034 (Rev. 1-89)

1989 MILLAGE REDUCTION FRACTION CALCULATIONS WORKSHEET

INCLUDING MILLAGE REDUCTION FRACTIONS NOT SPECIFICALLY ASSIGNED TO THE COUNTY EQUALIZATION DIRECTOR BY LAW

COUNTY	TAXING JURISDICTION

1988 Total State Equalized Valuation (SEV) _____

1989 Total State Equalized Valuation (SEV) _____

Losses, State Equalized Valuation (SEV) _____

Additions, State Equalized Valuation (SEV) _____

1989 Total Assessed Valuation (AV) _____

1989 Total County Equalized Valuation (CEV) _____

1. Section 211.34d, M.C.L., "Headlee" (for each unit of local government)

$$\frac{(\text{1988 Total S.E.V.} - \text{1989 Losses S.E.V.}) \times \overset{(1.041)}{\text{Inflation Rate*}}}{(\text{1989 Total S.E.V.} - \text{1989 Additions S.E.V.})} = \underline{\qquad\qquad}$$

1989 Millage Reduction Fraction (Headlee)

2a. Section 211.34, M.C.L., "Truth in Assessing" (for cities and townships if S.E.V. exceeds A.V. for 1989 only)

$$\frac{\text{1989 Total Assessed Valuation}}{\text{1989 Total State Equalized Valuation}} = \underline{\qquad\qquad}$$

1989 Rollback Fraction (Truth in Assessing)

2b. Section 211.34, M.C.L., "Truth in County Equalization" (for villages, counties and authorities if S.E.V. exceeds C.E.V. for 1989 only)

$$\frac{\text{1989 Total County Equalized Valuation}}{\text{1989 Total State Equalized Valuation}} = \underline{\qquad\qquad}$$

1989 Rollback Fraction
(Truth in County Equalization)

3. Section 211.24e, M.C.L., "Truth in Taxation" (for each taxing jurisdiction that levied more than 1 mill for operating purposes in 1988 only)

$$\frac{(\text{1988 Total S.E.V.} - \text{1989 Losses S.E.V.})}{(\text{1989 Total S.E.V.} - \text{1989 Additions S.E.V.})} = \underline{\qquad\qquad}$$

1989 Base Tax Rate Fraction
(Truth in Taxation)

NOTE: The truth in taxation BTRF is independent from the cumulative millage reductions provided by sections 211.34d and 211.34. The Base Tax Rate equals the BTRF X 1988 Operating Rate levied.

* M.C.L. Section 211.34(15) requires the State Tax Commission to publish the inflation rate before March 1 each year.