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Overview of 2020 Local Community Stabilization Authority Act (LCSA Act) Amendments

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On October 15, 2020, Governor Whitmer signed into law 2020 Public Acts 194, 195, 196, 197, and 198. These acts made several changes to the LCSA Act and the calculation of personal property tax (PPT) reimbursements.

The amendments to the LCSA Act include the following changes to the PPT reimbursement process:

1. Calculation of school district and intermediate school district (ISD) millage rates eligible for reimbursement
2. Elimination of the increased value from expired tax exemptions
3. Continuation of administrative funding for the Local Community Stabilization Authority (LCSA)
4. Addition of millage rates eligible to be used in the calculation of a Tax Increment Finance Authority's (TIFA's) PPT reimbursement
5. Allows for a one-time correction of 2013, 2014, and 2015 personal property taxable values and adds reporting responsibilities for county equalization directors

These changes to the PPT reimbursement process are detailed as follows:

1. Calculation of School District and ISD Millage Rates Eligible for Reimbursement

a. Calculation of School District and ISD Qualified School Debt Millage Rate (MCL 123.1345(x)(ii))

Prior to the passage of 2020 Public Act 194:

Eligible school districts and ISDs¹ had the option to be reimbursed for the portion of the current year debt millage rate levied specifically 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**.

Upon the passage of 2020 Public Act 194:

Beginning with calendar year 2021, eligible school districts and ISDs will have the option to be reimbursed for the portion of the current year debt millage rate levied specifically for the payment of principal and interest of obligations approved by the electors before January 1, **2015**

¹ Eligible school districts and ISDs are those school districts and ISDs that have annually filed Form 5451 on or before August 1 and elected to be reimbursed for the eligible portion of the current year debt millage rate levy (i.e. option 1 on Form 5451).

or obligations pledging the unlimited taxing power that were incurred before January 1, 2015. An eligible school district or ISD must continue to elect this option annually by filing Form 5451 on or before August 1.

For any school district or ISD that fails to annually file Form 5451 by August 1 or does not elect to be reimbursed for the portion of the current year debt millage rate levied specifically for obligations approved or incurred before January 1, 2015, its school debt loss reimbursement will be calculated using the lesser of the total of all debt millage rates levied in the prior year or the highest total of all debt millage rates levied in 2012 through 2014. This debt millage rate is calculated annually by the Michigan Department of Treasury and posted to the Michigan Department of Treasury's [PPT Reimbursements website](#) in May.

b. Calculation of ISD Allocated, Special Education, Vocational Education, and Enhancement Millage Rates (MCL 123.1353(5)(b) and MCL 123.1353(5)(d))

Prior to the passage of 2020 Public Act 194:

The PPT reimbursement to an ISD was based on the individual allocated, special education, vocational education, and enhancement millage rates levied in the prior year, unless the total of those millage rates levied in the prior year exceeded the ISD's eligible millage cap. The ISD's eligible millage cap was the highest yearly total millage levied for allocated, special education, vocational education, and enhancement millage in 2012 through 2014. If the ISD's total millage rate levied in the prior year exceeded the eligible millage cap, then each individual millage rate levied in the prior year was prorated downward so the total millage rate reimbursed for allocated, special education, vocational education, and enhancement millage equaled the eligible millage cap.

Upon the passage of 2020 Public Act 194:

Beginning with calendar year 2021, the calculation of an ISD's total millage rate levied in the prior year and the eligible millage cap shall exclude enhancement millage.

Therefore, the PPT reimbursement to an ISD will be based on the individual allocated, special education, and vocational education millage rates levied in the prior year, unless the total of those millage rates levied in the prior year exceeds the ISD's eligible millage cap. The ISD's eligible millage cap will be the highest yearly total millage levied for allocated, special education, and vocational education millage 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 for allocated, special education, and vocational education millage equals the eligible millage cap.

Beginning with calendar year 2021, the ISD's enhancement millage rate eligible for reimbursement will be calculated as the lesser of the total enhancement millage rate levied in the prior year or the highest total enhancement millage rate levied in 2012 through 2014.

The allocated, special education, vocational education, and enhancement millage rates are calculated annually by the Michigan Department of Treasury and posted to the Michigan Department of Treasury's [PPT Reimbursements website](#) in May.

2. Elimination of Increased Value from Expired Tax Exemptions

a. Reporting of Increased Value from Expired Tax Exemptions on Form 5403 and Form 5429 (MCL 123.1353(6))

Beginning with calendar year 2021, there will no longer be a reporting requirement for the assessor of each city and township to report to the Michigan Department of Treasury and the county equalization director the increased value from expired tax exemptions.

b. Calculation of Essential Services Reimbursement (MCL 123.1354(2)(a))

Beginning with calendar year 2021, increased value from expired tax exemptions will no longer be included in the calculation of the essential services reimbursement for a county, city, village, township, or local authority.

3. Continuation of Administrative Funding for the LCSA (MCL 123.1357(4) and MCL 123.1357(10))

Beginning with fiscal year 2019, the LCSA shall distribute the authorized portion of the local community stabilization share revenue into the LCSA's operating fund for purposes consistent with implementing and administering the LCSA Act, prior to distributing the local community stabilization share revenue to municipalities.

4. Addition of Millage Rates Eligible to be Used in the Calculation of a TIFA's PPT Reimbursement (MCL 123.1356a(2)(b))

Beginning with calendar year 2021, when calculating a TIFA's PPT reimbursement, a TIFA can include school district and intermediate school district calculated eligible debt millage, school district hold harmless millage, and state education tax millage captured by the TIFA.

5. Allows for a One-Time Correction of 2013, 2014, and 2015 Personal Property Taxable Values and Adds Reporting Responsibilities for County Equalization Directors

a. One-Time Correction of 2013, 2014, and 2015 Personal Property Taxable Values (MCL 123.1358(5)(a))

A one-time opportunity shall be provided to municipalities for the correction of the 2013, 2014, and 2015 commercial personal property and industrial personal property taxable values used to calculate PPT reimbursements. The 2013, 2014, and 2015 commercial personal property and industrial personal property taxable values must be the taxable values **as of June 20, 2015**, unless the personal property taxable values have been modified, in accordance with the LCSA Act, due to boundary changes or property reclassifications.

If a municipality identifies an inaccurate 2013, 2014, or 2015 commercial personal property or industrial personal property taxable value, the municipality must report the error to the county equalization director by filing *Correction of the 2013, 2014, and 2015 Personal Property Taxable Values Used for Personal Property Tax Reimbursement Calculations* (Form 5612), along with substantiating documentation, **no later than November 30, 2021**.

County equalization directors shall review all reported inaccurate commercial personal property and industrial personal property taxable values and notify the Michigan Department of Treasury of any corrected 2013, 2014, and 2015 commercial personal property and industrial personal property taxable values by filing *Correction of the 2013, 2014, and 2015 Personal Property Taxable Values Used for Personal Property Tax Reimbursement Calculations* (Form 5612) for each affected municipality, along with substantiating documentation, **no later than December 30, 2021**.

The correction form (Form 5612) can be found on the Michigan Department of Treasury's [Forms for Calculation of PPT Reimbursements website](#).

b. Additional County Equalization Director Reporting Requirements (MCL 123.1358(5)(a) and 123.1358(5)(e))

If a county equalization director identifies an inaccurate commercial personal property or industrial personal property taxable value or if a municipality notifies the county equalization director of an inaccurate commercial personal property or industrial personal property taxable value, the county equalization director shall determine all municipalities affected by the inaccurate commercial personal property or industrial personal property taxable value.

For corrections to the 2013, 2014, and 2015 commercial personal property and industrial personal property taxable values, the county equalization director shall notify the Michigan Department of Treasury of any corrected 2013, 2014, and 2015 commercial personal property and industrial personal property taxable values by filing *Correction of 2013, 2014, and 2015 Personal Property Taxable Values Used for Personal Property Tax Reimbursement Calculations* (Form 5612) for each affected municipality, along with substantiating documentation, **no later than December 30, 2021**. The 2013, 2014, and 2015 commercial personal property and industrial personal property taxable values must be the taxable values **as of June 20, 2015**, unless the personal property taxable values have been modified, in accordance with the LCSA Act, due to boundary changes or property reclassifications.

For corrections to the current year commercial personal property and industrial personal property taxable values, the county equalization director shall notify the Michigan Department of Treasury of any corrected current year commercial personal property and industrial personal property taxable values by filing *Correction of Personal Property Taxable Values Used for the Personal Property Tax Reimbursement Calculations* (Form 5651) for each affected municipality, along with substantiating documentation, **no later than March 31** of the following year. The current year taxable value of commercial personal property and industrial personal property must be the taxable value **on May 10** of each year.

The correction forms (Form 5612 and Form 5651) can be found on the Michigan Department of Treasury's [Forms for Calculation of PPT Reimbursements website](#).