

MICHIGAN DEPARTMENT OF TREASURY
Public Act 107 of 2017, Section 221 - Reporting Requirement

Each department and agency shall report no later than April 1 on each specific policy change made to implement a public act affecting the department that took effect during the prior calendar year to the senate and house of representatives standing committees on appropriations subcommittees of general government, the joint committee on administrative rules, and the senate and house fiscal agencies.

Bureau of Local Government

Public Acts 121 and 122 of 2017: HB 4335 & 4336:

These bills amended the General Property Tax Act to provide for policies and penalties for individuals found to have claimed the Principle Residence Exemption, or a substantially similar exemption, in multiple states.

Specifically, HB 4335 would allow an individual to be denied the PRE for the current year and up to three prior. They would not be able to rescind the substantially similar exemption in another state to qualify, and the person could be subject to penalties under the act.

Principal Residence Exemption Unit staff required additional training to accommodate these changes. A new form was created. Further, existing forms, form instructions and assessor training courses required updating. Changes will be implemented to the billing system for Principal Residence Exemption related billings to allow for the billing and collection of the \$500 penalty. Treasury will implement these changes within existing resources.

Public Act 42 of 2017: SB 359

This Public Act amended the General Property Tax Act to allow, for 2017 only, a taxpayer to file their form claiming the Eligible Manufacturing Personal Property Exemption until May 31, 2017. Generally speaking, the forms must be submitted by Feb 20. The bill was designed to allow otherwise eligible businesses who missed the deadline to claim the exemption.

Bureau of Local Government and School Services staff addressed specific changes in our procedures to accommodate this change, which extended the deadline for filing the completed eligible manufacturing personal property claim of exemption and transmitting the claim from the local unit to Treasury. Bureau staff created and updated form, provided additional notices, and manually inputted data into the electronic ESA system utilizing existing resources.

Public Act 102 of 2017: Senate Bill 380:

PA 102 extended deadlines associated with PPT reimbursement due to SB 359. Because that bill allowed employers an extended window to make exemption claims, this bill was required to push back related

timelines for reimbursement for local units lost revenue. Generally speaking deadlines were extended until November of 2017, for the 2017 reimbursements only.

Department of Treasury was required to notify local units of changed timing associated with reimbursement. Treasury implemented these changes within existing resources.

Public Acts 261-264 of 2017: Senate Bills 570-573:

These acts revise the timeline and procedures related to filing for the Eligible Manufacturing Personal Property Tax exemption. Related to the bills above, they provide an avenue for businesses who postmarked their form prior to the deadline to appeal to the board of review to claim the exemption.

Forms and instructions were updated to accommodate filing deadline changes to claim eligible manufacturing personal property exemption and small business taxpayer exemption. State Tax Commission FAQs, bulletins and training materials also required updating to document changes. Essential Services Assessment staff updated Treasury's guidance and audit documentation to reflect these changes. Treasury will accommodate this work needed within existing resources.

PA 202 of 2017: Senate Bill 686:

Senate Bill 686 will create the "Protecting Local Government Retirement and Benefits Act (the Act)." The Act will require the Michigan Department of Treasury (the Department) to provide comprehensive monitoring, evaluation, and reporting of pension and retirement health benefit plans offered by 1400 local units of government.

Additionally, the Act will create a three-member Municipal Stability Board (MSB) within the Department. The MSB will be required to request, review, and monitor corrective action plans for local units of government determined to be in underfunded status. The Department has been asked to estimate the resources needed to adequately support the requirements of the Act. Given the scope of the oversight responsibilities required of Treasury, it's difficult to estimate with certainty the resources needed.

This PA also included numerous companion bills to update references in various local government authorization statutes. The implementation impact for all of these is discussed below.

Department of Treasury incurred immediate costs for IT and systems changes to implement this Act upon passage. Department of Treasury has submitted official requests for both the FY 18 supplemental and the FY 19 budget process to address these costs, along with 2 additional FTEs to review and process summary reports, waivers, and corrective action plans.

Tax Policy and Tax Processing Areas

Public Acts 218-221: Senate Bills 566,567 and House Bills 5164,5173:

Senate Bills 566 and 567 and House Bills 5164 and 5173 provide an exemption for the sale of dental prosthetics from the sales and use tax act. This largely codifies the Department's position prior to July 1, 2017.

Tax Processing Division updated taxpayer instructions and engaged in staff training to explain changes to taxpayer community.

Tax Policy Division issued a notice and published a newsletter article in Treasury Update regarding the new exemption, both of which are on Treasury's website. Treasury also updated Michigan's Taxability Matrix as required by the Streamlined Sales and Use Tax Agreement.

Treasury accommodated these needs within existing resources.

Public Act 149 of 2017: House Bill 4396:

The bill would expand eligibility for the "social security proxy" retirement or pension benefit deduction for any retiree born after 1945 that was retired from an entity that opted out of social security and was retired as of January 1, 2013.

HB 4396 selects a portion of the Tier 3 individuals for the expanded deduction. To be eligible, the Tier 3 retiree must be retired from an entity which was not covered by social security. In addition the individual must be retired on or before his or her 60th birthday **and** must be retired as of January 1, 2013. In which case they would qualify for a deduction of \$35,000 for single filers and \$55,000 for joint filers.

The bill required updates to Individual Income Tax instructions, forms as well as software and systems changes with vendors to pick up the additional field to capture the exemption. Department of Treasury also trained staff to respond to taxpayer inquiries. Treasury accommodated these needs within existing resources.

PA 215 of 217: House Bill 4976

The bill creates an alternative dispute resolution process that either taxpayers or the department may utilize within the Informal Conference process.

Upon a request for an informal conference, either the taxpayer or the department may provide a written settlement offer to the other party. If the taxpayer is going to utilize this process they must submit it within 21 days of an informal conference proceeding. Either party may accept the other's offer, reject it, or propose a counter offer. These actions must be taken in writing and if an agreement is reached, a written settlement agreement outlining all of the terms of the settlement must be executed.

The bill includes a requirement that the Department of Treasury report the aggregate amount of tax liability involved in settlements under the program, as well as the total number of settlements, so long as that number is larger than five.

Treasury established the Alternative Dispute Resolution office to administer the settlement process, staffing it with existing resources. It also drafted and published guidelines and a Notice to taxpayers advising of the availability of the new procedure. A new form and instructions were created for taxpayer use in applying for settlement. Form letters were created to communicate the Department's response to offers and to convey the abeyance status of the matter in informal conference. Evaluations of settlement offers will be handled using existing departmental resources. Modifications to existing systems and collection procedures may be required to comply with statutory requirements to issue assessments in connection with settlements reached. These modifications will also be managed within existing resources.

PA 216 of 2017: House Bill 4502:

This bill codified Department of Treasury position that self-insured worker's compensation funds were not subject to the CIT.

No changes were required to implement this PA.

Public Acts 109-111 of 2017: Senate Bills 242-244

Public Acts 109, 110, and 111 created the Good Jobs for Michigan Program within the Michigan Strategic Fund and established the Good Jobs for Michigan Fund within Treasury. The State Treasurer would be required to receive money for deposit into the Fund, direct the investment of the fund, and credit all amounts deposited pursuant to the Program.

The Michigan Strategic Fund shall provide the Treasury with a copy of each withholdings certificate issued under this section. Upon receipt of a withholdings certificate, an authorized business may request a payment from the Good Jobs for Michigan Fund by filing a copy of the withholdings certificate with the fund. The fund shall issue the withholding tax capture revenue payment from the good jobs for Michigan fund within 90 days of receipt of the request for payment from the authorized business.

The State Treasurer shall calculate the amount of withholding captures collected from the certified new jobs created in each year and the amount that needs to be transferred from the general fund and deposited into the Good Jobs for Michigan Fund.

Treasury's implementation activities are only related to establishment of the fund and entering transfers and payments as directed by MEDC. These implementation activities will begin once a Good Jobs for Michigan withholding certificate is issued. Treasury will need to develop a method for an authorized business to report withholding from individuals employed within certified new jobs as required by MCL 125.2090g(l). At this time, Department of Treasury plans to administer this program using existing resources.

Bureau of State and Authority Finance

Senate Bill 98

The bill expanded the number of promise zones allowed under statute from 10 to 15.

Department of Treasury will need to process additional applications from local units and school districts wishing to create a Promise Zone. Department of Treasury will manage these applications within existing resources.

Office of Revenue and Tax Analysis

Public Acts 46-50 of 2017: Senate Bills 111-115

Public Acts 46, 47, 48, 49 and 50 allow a Brownfield Redevelopment Authority to implement a transformational brownfield plan, subject to approval of the Michigan Strategic Fund (MSF). For any transformational brownfield to be approved by MSF, the Treasurer is required to concur that the project will result in an overall positive fiscal impact on the State.

After MSF approves a plan, the State Treasurer is required to annually deposit from the General Fund into the State Brownfield Redevelopment Fund the revenues that result from the plans adopted under the Brownfield Redevelopment Financing Act. These revenues include: construction period tax capture revenue, withholding tax capture revenue, and income tax capture revenue. The Department of Treasury must distribute the revenues to an authority, or to the owner or developer of the eligible property, in accordance with requirements of the bill and the terms of the reimbursement agreement. Funds must be transmitted within 30 days of transfer to the Fund.

Additionally, if the value of the actual sales and use tax exemptions and construction period tax capture revenue under all transformational brownfield plans exceeds the limit, by more than a de minimis amount, the State Treasurer must take corrective action and may reduce future disbursements to comply with the aggregate limitations in the bill.

The review of transformational brownfield plans is being completed with current resources in FY18. After plans are approved, more administrative responsibilities will be added to ORTA. Treasury must collect documentation to audit and approve construction period tax capture revenue, withholding tax capture revenue, and income tax capture revenue. Treasury will need to collect forms from the developer on the tax captures. Forms are being created and a new IT portal is being established to accept the files electronically. Treasury will also need to validate the submissions from the developer, make transfers to the State Brownfield Redevelopment Fund and distributions from the fund. To accomplish these tasks, Treasury has requested one additional FTE through the FY 19 Executive Recommendation.