

MICHIGAN DEPARTMENT OF TREASURY

Public Act 56 of 2019, 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.

Office of Accounting Services:

Public Act 123 (Senate Bill 690)

This act allowed as eligible expenses reimbursement to the grantee for establishing a statewide device purchasing/distance learning program to provide devices for use by students to address immediate access and connectivity issues for students. This program was intended to make devices more affordable for all Michigan K-12 districts to address the immediate distance learning needs due to the COVID-19 public health emergency. This act also allowed for grants of up to \$500 to individuals working in the hospitality industry to be paid by Michigan Restaurant and Lodging Association (MRLA).

Public Act 166 (House Bill 5396)

The act created the Teacher and Support Staff grant programs to recognize the additional time teachers in a public school or nonprofit nonpublic school spent outside of normal working hours and additional costs classroom teachers have incurred or experienced to provide a continuity of learning during the period of school closure in 2019-2020 as a result of the COVID-19 pandemic. It allowed for grant payments to Teachers up to \$500 and Support Staff up to \$250.

Public Act 257 (Senate Bill 748)

The act created the GSRP, Head Start, Special Education, and Adult Education Teacher grant program to recognize the additional time teachers in a public school or nonprofit nonpublic school spent outside of normal working hours and additional costs classroom teachers have incurred or experienced to provide a continuity of learning during the period of school closure in 2019-2020 as a result of the COVID-19 pandemic. It allowed for grant payments to Teachers up to \$500. The act also created the Employee Assistance Fund to provide grants of up to \$1,650.00 to individuals who were employed in a workplace affected by gathering restrictions for facilities.

Bureau of Local Government & School Services

Public Act 206 (House Bill 4851)

The act amends MCL 211.53b of the General Property Tax Act to modify what may be considered a qualified error by the July or December Boards of Review by adding an issue beyond the control of the disabled veteran or unremarried surviving spouse that causes a denial of the exemption provided in MCL 211.7b. The act created two scenarios under which there could be an issue beyond the control of the disabled veteran or unremarried surviving spouse: 1) an error made by the local tax collecting unit in the processing of a timely filed exemption affidavit; or 2) a delay in the determination by the United States Department of Veterans Affairs that a veteran is permanently and totally disabled as a result of military service and entitled to veterans' benefits at the 100% rate.

Upon enactment, the State Tax Commission (STC) sent a list serv advising assessing officers of the statutory changes, as well as providing an update to board of review members in the 2021 training classes. The STC updated its Board of Review bulletin and will update other guidance, as necessary.

Public Act 251 (House Bill 5824) and Public Act 297 (House Bill 5825)

Public Act 251 amends MCL 209.5 of the State Board of Equalization Act to modify the deadlines for county equalization for the 2020 tax year due to the Covid-19 pandemic. The act extended the deadlines for county equalization by reference to MCL 211.33a(1)(b), as amended by Public Act 297. Public Act 297 amends the General Property Tax Act by adding MCL 211.33a to extend the deadlines for boards of review and county equalization for the 2020 tax year due to the Covid-19 pandemic. The act provided that if the county equalization department did not receive a certified assessment roll from a board of review, it must equalize based on the assessment roll prepared by the assessor; the county board of commissioners must meet by May 15, 2020 to determine county equalized value; and the county equalization department must transmit a certified copy of the tabular statement required in MCL 209.5 to the State Tax Commission on or before May 18, 2020. The act also provided that March Boards of Review that could not complete their duties must meet on the Tuesday following the third Monday in July to hear protests and extended the authorities for the July Board of Review stated in MCL 211.53b to include those as stated in MCL 211.30 that would be properly before a March Board of Review, with any such July Board of Review decisions being issued no later than September 1, 2020. Additionally, resident taxpayers were permitted to appeal to the July Board of Review by letter. Classification appeals were also permitted at the July Board of Review with a deadline to appeal those decisions to the State Tax Commission by September 1, 2020.

No changes were required to implement these acts, as they were a codification in statute of extended deadlines stated in Executive Order 2020-87.

Public Act 253 (Senate Bill 1234)

The act amends MCL 211.7u of the General Property Tax Act to modify various provisions related to the poverty exemption, including removing the ability for the board of review to deviate from the established local unit guidelines for substantial and compelling reasons. The act also provides that if all eligibility requirements are met, the board of review may only grant an exemption equal to a 100%, 50%, or 25% reduction in taxable value, with the local unit being able to apply to the State Tax Commission for approval to utilize any other percentage reduction. The statute was revised to clarify that the federal income levels to be used are the levels adopted in the prior year. The Act also requires local units to make the local unit policy, guidelines, and application available on its website. The Act also created two provisions that would carry exemptions forward; the first allows a local unit to pass a resolution by February 15, 2021 to carry an exemption granted in 2019 or 2020 forward to the 2021 tax year without application and protest to the board of review by the taxpayer; the second provision allows a local unit to adopt a resolution to that allows the exemption to remain in place for up to 3 years for persons who receive a fixed income solely from public assistance that is not subject to significant annual increases.

Upon enactment, the STC sent a list serv advising assessing officers of the statutory changes, as well as providing an update to assessors and board of review members in the 2021 training classes. The STC convened a special meeting on January 19, 2021 to adopt the necessary forms and guidance needed for local units to implement the changes for their March Boards of Review. The STC will continue to update other guidance, as necessary.

Public Act 352 (Senate Bill 940)

The act amends the General Property Tax Act to add MCL 211.14a for the 2021 tax year only to allow personal property located in an alternate location due to the Covid-19 pandemic to be assessed at its ordinary location and not the alternate location the personal property was moved to due to Covid-19.

Upon enactment, the STC sent a list serv advising assessing officers of the statutory changes, as well as providing an update to assessors and board of review members in the 2021 training classes.

Public Act 3 (Senate Bill 319)

The act amends MCL 207.772, 207.777, 207.780, and 207.781 of the Neighborhood Enterprise Zone Act to modify the definition of “rehabilitated facility” and require the State Treasurer to adjust the amounts prescribed in the definition annually by the inflation rate as defined in section 34d of the General Property Tax Act for that year, beginning in 2020. The definition of “rehabilitated facility” was modified to increase the current true cash value of existing structures or portions of structures from \$80,000 to \$120,000 or less per unit, increase the minimum threshold of owner proposed improvements done by a licensed contractor from \$5,000 to \$10,000 or 50% of the true cash value (if it is less than \$10,000) for owner-occupied units, and increase the minimum threshold of improvements done by a licensed contractor for nonowner-occupied units from \$7,500 to \$15,000 or 50% of the true cash value (if it is less than \$15,000). Public Act 3 also extends the period of time for the owner to complete filing requirements under section 10 for certificates issued after December 31, 2016 from 2 years to 3 years from the date the certificate

was issued. In addition, certificate holders may request that this period of time be automatically extended for one year by written request submitted to the qualified assessing district prior to the expiration of the certificate or within 1 year of the expiration of the certificate.

Upon enactment, the Community Services Division reached out to affected certificate holders, as necessary.

Public Acts 217 and 218 (Senate Bills 493 and 494)

PA 217 amends MCL 207.856 of the Commercial Rehabilitation Act. It extends the sunset on the issuance of new exemptions from December 31, 2020 to December 31, 2025. PA 218 amends MCL 207.668 of the Commercial Redevelopment Act. It extends the sunset on the issuance of new exemptions from December 31, 2020 to December 31, 2025.

No changes were required to implement these acts.

Public Act 96 (Senate Bill 0940)

The act amends MCL 211.7cc of the General Property Tax Act. The act changed the date by which a principal residence exemption may be claimed for the 2020 summer tax levy in the 2020 tax year. For the 2020 tax year only, the deadline for a property owner to claim a principal residence exemption by filing a “Principal Residence Exemption (PRE) Affidavit” (Form 2368) for the 2020 tax levy is extended from June 1 to June 30.

A list serv and a memo were issued to assessors and local officials to implement the act.

Tax Policy Bureau

Public Acts 29 and 30 (House Bills 5187 and 5188)

PAs 29 and 30 amend section 25 of the General Sales Tax Act, MCL 205.75 and section 21 of the Use Tax Act, MCL 205.111, respectively, to require an amount, determined by the Department, equal to all revenue lost to the School Aid Fund (SAF) from the existing exemption for Data Center Equipment to be deposited into the SAF. The acts further require exemption claimants to report the price of Data Center Equipment, and any other information necessary to determine the amount of lost SAF revenue, annually on a form at the time and in a manner prescribed by the Department. These acts were effective beginning on February 13, 2020.

No changes were necessary to implement these acts.

Public Acts 46 and 47 (House Bills 4203 and 4204)

PAs 46 and 47 implement new Section 4ff in the General Sales Tax Act, MCL 205.54ff, and Section 4ff in the Use Tax Act, MCL 205.94ff (“Acts”), to exempt implantable prosthetic devices

when sold to hospitals and freestanding surgical outpatient facilities. Although there is a general exemption for “prosthetic devices” in both Acts, MCL 205.54a(1)(k); MCL 205.94(1)(p), a prescription requirement within that exemption precludes it from applying to the purchase of such devices by medical care providers. Through the implementation of Section 4ff, therefore, these acts ensure that implantable prosthetic devices are exempt from tax when purchased by hospitals and freestanding surgical outpatient facilities. These acts were effective beginning March 3, 2020.

No changes were necessary to implement these Acts.

Public Act 65 (House Bill 4171)

The act codifies the Department’s practice of allowing a surviving spouse to take a retirement benefit deduction based on date of birth of the older of the two spouses. The act also expands the current practice in two ways. First, a surviving spouse, who otherwise would not qualify for a deduction of his or her own benefits based on date of birth, may now deduct those additional benefits. Second, when the surviving spouse reaches age 67, the surviving spouse may continue to claim the benefits deduction if the deduction is greater than the standard deduction of \$20,000/single filer. The act narrows the benefits of the surviving spouse by requiring the surviving spouse to remain unmarried to receive the deduction.

The act requires changes to the Department’s Form 4884 to allow the surviving spouse to elect the decedent’s retirement benefit deduction after the surviving spouse reaches age 67. The form changes also require system software updates and staff training.

Public Act 75 (House Bill 4125)

The act amended sections 51 and 51d of the Income Tax Act, MCL 206.51 and 206.51d, to adjust the percentage of revenue collected from income tax earmarked for the School Aid Fund (SAF). The act returned the SAF earmark to its level prior to the enactment of 2018 PA 588, which had changed the distribution of the funds. The act kept the funds at \$264,000,000 for October 1, 2018 through September 30, 2019 and \$468,000,000 for October 1, 2019 through September 30, 2020. If the minimum foundation allowance falls below the allowance established under section 20 the School Aid Act of 1979, 1979 PA 94, as amended by 2017 PA 108, the SAF would increase under this amendment to the Income Tax Act.

No changes were necessary to implement this Act.

Public Act 77 (Senate Bill 269)

The act added section 4a, the Taxpayer Protection Act, to the Revenue Act. Beginning January 1, 2021, MCL 205.4a requires for any return or refund claim filed pursuant to Part 1 of the Income Tax Act by a paid tax preparer to be signed by the paid tax preparer and to include tax preparer’s tax identification number. The statute provides for a civil penalty of \$50 for each failure by the paid tax preparer to sign a return or claim for refund unless the failure was due to reasonable cause. The civil penalty imposed on any paid tax preparer in any calendar year cannot exceed \$25,000. The statute provides that a paid tax preparer must not knowingly violate prohibited conduct that is specified in the statute, must not fail to comply with certain requirements specified in the statute,

must not misrepresent his or her eligibility to practice before the Department nor misrepresent his or her experience or education. The statute authorizes the Department to sue to enjoin the paid tax preparer from engaging in any prohibited conduct as provided in the statute and from further acting as a paid tax preparer. The Taxpayer Protection Act defines “paid tax preparer” to mean a person or employer of persons who for compensation, prepare any return or claim for refund, or any substantial portion of any return or claim for refund, under part 1 of the Income Tax Act. The statute’s definition of “paid tax preparer” expressly excludes a licensed certified public accountant or a person who prepares a return as a volunteer through a nonprofit organization or other organization offering tax assistance.

Although there is no policy change made to implement the act, beginning with tax years 2021, the Department must post on its website an instruction booklet with the annual return. The instruction booklet must clearly and concisely inform taxpayers that the Taxpayer Protection Act requires a paid tax preparer to sign a return and provide his or her preparer tax identification number, along with contact information for the Department’s fraud unit.

Public Act 79 (Senate Bill 125)

The act amends section 18 of the Uniform Unclaimed Property Act, MCL 567.238, as follows:

1. Active-duty military personnel serving outside the United States have a 5-year extended dormancy period for presumption of abandonment. The act expands the use of the extended period to those active-duty military personnel serving within the United States.
2. Repeals the requirement that an unclaimed property report involving the contents of a safe deposit box or other safekeeping repository or of other tangible property include the place where the property is held and that it may be inspected by the state Treasurer and any amounts owing to the holder of the unclaimed property.
3. Repeals the requirement that the holder of the unclaimed property pay any estimated payments by the July 1st reporting deadline in order to receive a 60-day extension to file a report. A holder may now simply make a written request for a 60-day extension without making a payment.

No changes were necessary to implement this act.

Public Act 266 (House Bill 4508)

The act amends the definition of “travel insurance” in the Insurance Code and adds Chapter 12B to the Code to specifically regulate the sale of travel insurance in Michigan Part of the new chapter specifically states that a travel insurer must pay a premiums tax under section 635 of the Income Tax Act, MCL 206.635, on travel insurance premiums. A travel insurance company was already considered an “insurance company” under the Income Tax Act, and its gross direct premiums written on property or risk located or residing in Michigan were already subject to a 1.25% premiums tax under that act. Therefore, to the extent the travel insurance premiums were written on risk located in Michigan, they were already taxable under the premiums tax under section 635.

The act also defines other terms used in the statute and describes record-keeping requirements and clarifies which travel insurance premiums are subject to the premiums tax. Specifically, the act

dictates by whom taxable premiums are paid, clarifying which travel insurance premiums are considered “risk written in this state.”

No changes were necessary to implement the act.

Public Act 326 (Senate Bill 970)

The act amends the Tobacco Products Tax Act (TPTA), effective January 1, 2022. The amendments include updating existing definitions and adding new definitions to the TPTA to provide clarification, closing perceived “loopholes,” reflecting developments in tobacco product offerings in the marketplace, and addressing the proliferation of remote (e.g., online) sales of tobacco products into Michigan. The act also revises the age verification and sales/use tax credentialing provisions in the TPTA, strengthens the regulatory framework governing the sale (or solicitation of a sale) of tobacco products to be shipped, mailed, or otherwise brought into Michigan to unlicensed persons, and bolsters penalties for unlicensed persons in Michigan unlawfully acquiring tobacco products. The Act also establishes a safe harbor for retailers for documenting online or other remote purchases of tobacco products from certain licensees.

To provide clarity to the Act’s references to unclassified acquirers licensed as “manufacturers,” the Department is issuing a Revenue Administrative Bulletin to explain how the Department will interpret and administer the changes made by the Act considering those references.

Public Act 343 (Senate Bill 54)

The act amends the Income Tax Act to restore the Michigan Historic Preservation Tax Credit that previously ended on December 31, 2011. The act creates Section 266a, MCL 206.266a, to implement the credit for the Individual Income Tax (IIT) and Section 676, MCL 206.676, to add the same to the Corporate Income Tax (CIT). Under the program, a qualified taxpayer with a Certificate of Completed Rehabilitation (Certificate) for a project that is approved after December 31, 2020 and before January 1, 2031 may claim a nonrefundable credit equal to 25% of the qualified expenditures that are eligible under Section 47(a)(2) of the Internal Revenue Code (IRC). There are various limitations on the amount of credit that may be claimed in a year. As enacted, the State Historic Preservation Office (SHPO) is responsible for accepting, reviewing, and approving projects eligible to receive the credit and calculating the annual credit limitations. SHPO has advised the Department that it is promulgating administration rules before any applications for the project can be reviewed and accepted. The credit is effective beginning January 1, 2021.

The Department is revising forms, instructions, and systems to implement this credit.