Personal Property Tax Reform Update

Macomb County Treasurer's Breakfast Meeting
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Personal Property Background

- Personal Property is machinery, tools, computers, furniture or generally property not permanently affixed to a structure.
- Household personal property is not subject to the ad valorem property tax
- There are three main classes of personal property: commercial, industrial & utility.

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Personal Property Stats

- Personal property taxable value totaled $31.2 billion in tax year 2014. Personal property tax totaled $1.4 billion, including IFT and state utility tax.
- Before 2012 reforms, industrial personal property already exempt from local school operating millage and SET.
- Commercial personal property already exempt from first 12 mills of local school operating tax.

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Personal Property Tax Legislation

- In 2012, legislation was passed providing personal property exemptions for small taxpayers and Eligible Manufacturing Personal Property. Laws were revised in 2013 and 2014.
- Reimbursement is provided through share of 6% Use Tax levied by Local Community Stabilization Authority.
- August 2014 voter approval of Proposal 1 allowed laws to take effect.

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2014 Small Taxpayer Personal Property Exemption

- To be eligible for the exemption, all property used by a claimant or a related party in a city or township must have a true cash value under $80,000, including leased and vendor-supplied property. If this test is met, exemption is for personal property owned by the claimant.
- Exemption affidavit filed annually by Feb.10 Assessor may deny exemption for current year and prior three years.
- 2013 PA 153, SB 489

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Reimbursement Details CY 2014 and 2015

- Small taxpayer exemption loss (STEL) calculated by subtracting 2014 commercial personal (CP) TV and industrial personal(IP) TV from 2013 CP TV and IP TV.
- Calcs include IFT property (new at 50%).
- Calculations exclude property classified as either IP or CP in one year but classified as real property or utility personal in other.
- 2014 calculation used for 2014 and 2015.

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Debt Millage Rate Calculation

- If district levies 1.9802 debt mills, reimbursement is $1 million STEL multiplied by 1.9802 mills = $1,980.
- If district levies 2.0 debt mills, an excess of 0.0198 mills, reimbursement is $1,980 minus ($100 million times .0198 mills) = $1,980 minus $1,980 = 0.

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Form 5220

Small Taxpayer Exemption Loss

December 2014 Debt Millage Reimbursement Claim

Issued under authority of Public Act 87 of 2014.

COMPLETE THIS FORM ONLY IF MILLAGE WAS LEVIED IN DECEMBER 2014 AND USED TO PAY DEBT

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Form 5220

7. Enter the amount of 2014 small taxpayer exemption loss (taxable value) from county equalization director.

8. Enter the actual debt millage rate levied in December 2014 for the payment of principal and interest of obligations incurred before 2013 that pledged the **unlimited** taxing power of the taxing unit.

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Form 5220

9. Enter the December 2014 debt millage rate that would have been levied after adjusting for small taxpayer exemption loss for the payment of principal and interest of obligations incurred before 2013 that pledged the **unlimited** taxing power of the taxing unit. (See note below and instructions.)

10. For obligations incurred before 2013 that pledged the **limited** taxing power of the taxing unit, enter the amount of principal and interest that will be paid using operating millage levied in December 2014. DO NOT enter debt service for mills reported on line 8.

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Form 5220

11. If line 8 is greater than line 9 or in line 10 is greater than zero, enter the 2014 total taxable value of all **real and personal property**, including industrial facilities tax replacement taxable value and one-half of industrial facilities tax new facility taxable value.

12. Check whether the limited tax pledge payment amount you reported on line 10 is to be paid from all general fund revenue or specifically from property taxes.

- Repaid from General Fund Revenue
- Repaid only from Property Taxes

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Form 5220

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13. If you checked "Repaid only from Property taxes" on line 12, enter "1" on this line. Otherwise, complete lines 15-19 on page two and enter the line 19 decimal fraction here (for example, 0.33333).

14. Enter the December 2014 operating millage rate levied for the payment of principal and interest of obligations incurred before 2013 that pledged the **limited** taxing power of the taxing unit. Divide line 10 by the sum of lines 7 and 11 and multiply the result by line 13 and by 1,000.

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Other Reimbursement Provisions

- Except for debt millage, reimbursements calculated using each taxing unit's sum of the lowest rate of each individual millage levied between 2012 and the immediately preceding year. Treasury reports rates by May 1 of each year.
- Debt rates reported to Treasury by August 15.

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Other Reimbursement Details CY 2016 through CY 2018

- Tier I Reimbursements:
  - Local school district and ISD loss
  - Essential services loss, including loss from expiring tax exemptions
  - Tax increment financing loss, including any loss from increased captured value.
  - Small taxpayer exemption loss

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Other Reimbursement Details CY 2016 through CY 2018

- Tier II Reimbursements: None
- Tier III Reimbursements: Reimbursement for all other losses, based on each taxing unit's share of the total losses and available $ after Tier I payments
- Available $ are estimated to be sufficient to provide 100% reimbursement.

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Other Reimbursement Details After CY 2018

- For 2019 5% of the $ otherwise available for Tier III are distributed under Tier II based on each taxing unit's share of EMPP tax loss calculated using modified acquisition cost of EMPP.
- That % is increased by 5% each year for 20 years, until no $ are distributed under Tier III.

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Changes Regarding Timing of Reimbursement

- County allocated millage: by September 20
- Other county millage, township millage, and other millage levied 100% in December: the following February 20.
- All other millage: October 20.
- Treasury to advance to Authority $ necessary to make timely payments.

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Other Reimbursement Provisions—Prior Year Adjusts

- Except for debt losses and essential services loss, reimbursements for a year are adjusted to reflect the final court order related to any prior year calculation.
- Adjustment made only if changes in prior-year taxable value can be calculated from taxable values reported by county treasurers to MI Department of Education.
- Need a way to adjust MDE taxable values for CP and IP excluded from calculations.

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TIF Plans; tests for inclusion of increased captured value

- Before 2013, the TIF plan must have specifically projected the anticipated increase in captured value that would be used to pay 1 or more qualified obligations.
- TIF plan must be fully approved before 2013.
- Any needed BRFA work plans must be approved before 2013.
- TIF plan identifies a particular project on a specific parcel and the addition of particular EMPP

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TIF Plans; tests for inclusion of increased captured value

- The EMPP makes up at least 20% of the true cash value of the improvements. This requirement does not apply for EMPP subject to an expiring exemption.
- The project had obtained all necessary local zoning approvals before 2013.
- Before 2013, orders had been placed and significant investments made in the EMPP to be located on the site.

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TIF Plans; Obligations refunded after 2012

- Cumulative TIF PPT reimbursements for a refunded obligation are limited to cumulative PPT reimbursements had the obligation not been refunded.
- If refunding results in increased school tax capture, TIF PPT reimbursements are reduced by amount of the increase in school tax capture.

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New State Essential Services Assessment

- Levied on all exempt EMPP, starting in 2016.
- Tax base is fair market value of EMPP at time of acquisition, and presumed to be acquisition price.
- For EMPP acquired 1 – 5 years before the tax year, tax rate is 2.4 mills.
- For EMPP acquired 6 – 10 years before the tax year, tax rate is 1.25 mills.
- For EMPP acquired earlier, 0.9 mill rate.

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New State Essential Services Assessment

- By September 15, taxpayers required to submit electronically to Treasury a completed statement and full payment of the tax.
- If tax not paid, Treasury sends notice by Oct. 15, and imposes penalty up to 5%.
- If statement and payment are not made by November 1, the EMPP exemption is rescinded for that tax year. Taxpayers must submit a personal property statement by November 10 and exempted summer tax is added to winter bill.

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New State Essential Services Assessment

- For taxpayers making a minimum of $25 million investment in additional EMPP, the Michigan Strategic Fund Board may provide a 50% or 100% exemption from the State ESA.

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