STATE LAW PROVIDES REIMBURSEMENT FOR 2015 PERSONAL PROPERTY TAX CUT FOR BOTH DEBT MILLAGE AND OPERATING MILLAGE USED TO PAY DEBT

Pursuant to Public Act 402 of 2012, as amended by PA 153 of 2013, a new "small taxpayer" personal property exemption went into effect in 2014 for commercial and industrial personal property. A "small taxpayer" is one whose combined commercial and industrial personal property owned by, leased to, or used by the taxpayer has a true cash value under $80,000.

State law measures the taxable value loss from this new exemption by subtracting each taxing unit's total 2014 taxable value of commercial personal and industrial personal property from its total 2013 taxable value of commercial personal and industrial personal property. This difference is defined as the 'small taxpayer exemption loss". **Pending legislation, House Bill 5446, will require use of a 2013 minus 2015 calculation if it results in a greater loss.** This amount will be multiplied by the taxing unit's 2015 debt and operating millage rate used to repay debt either incurred, or approved by voters, before 2013 to determine the state reimbursement. Local units must use any reimbursement for debt millage to repay the debt obligation.

For obligations approved by voters, or incurred, before 2013, taxing units levying debt millage in 2015 must include in their debt millage rate calculation the anticipated debt millage reimbursement that will be received from the State of Michigan for any reduction in the 2015 taxable value related to commercial personal and industrial personal property. This is done by reducing the levied debt millage rate that would otherwise by levied.

County equalization directors are required to calculate in June 2015 each taxing unit's 2015 small taxpayer exemption loss. When calculating its 2015 debt millage rate for obligations approved by voters, or incurred, before 2013, each taxing unit must add to its 2015 taxable value its 2015 small taxpayer exemption loss. Example:

2015 Debt service adjusted for reserve and uncollectible taxes:	$200,000
Taxable value:	$100 million
2015 personal property small taxpayer exemption loss:	$1 million
2015 debt millage rate adjusted for small taxpayer exemption loss:	$200,000 divided by $101 million, or 1.9802 mills.

In this example, the reimbursement is $1 million multiplied by 1.9802 mills, or $1,980. If the debt millage rate is not adjusted, in the example the district levies debt millage of 2.0 mills ($200,000 divided by $100 million), the reimbursement is reduced by the excess debt millage rate (2 mills minus 1.9802 mills) multiplied by district's total taxable value, divided by 1,000, = 0.0198 mills multiplied by $100 million = $1,980. The district will receive no reimbursement. On 2015 Form 5192 (for mills levied in July 2015 to repay debt) the reduction is (line 7 minus line 8) multiplied by line 10 and divided by 1,000. There is no reduction if line 7 is less than or equal to line 8.

All taxing units are encouraged to adjust their 2015 debt millage rate for their small taxpayer exemption loss so they will be eligible for reimbursement.

Taxing units (except for school districts and ISDs) are also eligible for reimbursement for 2015 operating mills used to repay debt approved by the voters, or incurred, before 2013. See 2015 Form 5192 lines 9-18. Do not claim reimbursement for debt repaid by fees, charges, or other non-general-fund revenues. Form 5192, used to claim reimbursement for debt and operating mills levied in July 2015 to repay debt, will be available this month at Michigan.gov/taxes by clicking on Property Tax and the second bullet.

Michigan Department of Treasury, Office of Revenue and Tax Analysis