

Article 9, Section 43, Replacement of Personal Property Tax Revenue

As applied in this section, "Local Government" means any political subdivision of the state, including but not restricted to, school districts, cities, villages, townships, charter townships, counties, charter counties, authorities created by the state, publicly-funded libraries however created, and authorities created by other units of Local Government.

If the legislature exempts, or reduces the allowable rate of taxation for, any personal property from taxation, the legislature shall replace all revenue lost therefrom by the units of Local Government including all revenue related to locally-voted millages and millages levied for voted debt obligations. The lost revenue shall be replaced each year in its entirety by funds from the general fund paid directly to the affected units of Local Government.

The "Total Personal Property Tax Replacement Amount" is the total amount to be dedicated each year from the general fund for distribution to the units of Local Government pursuant to this section and shall be calculated by annually averaging the last five years of personal property taxes levied by all units of Local Government prior to enactment of the personal property tax exemption by the Legislature. For the five calendar years immediately following the effective date of the exemption, each unit of Local Government shall receive on a quarterly basis its pro rata portion of the Total Personal Property Tax Replacement Amount. The pro rata portion for each unit of Local Government shall be determined by calculating the ratio by which the Tax Base of that unit of Local Government bears to the Total Personal Property Tax Replacement Amount. The Tax Base of each unit of Local Government is the annual average of the last five years of personal property taxes levied by that unit of Local Government prior to enactment of the personal property tax exemption by the Legislature. Beginning in calendar year six following the effective date of the exemption, and thereafter, the Legislature may consider other factors to determine the percentage of the Total Personal Property Tax Replacement Amount that shall be given to each unit of Local Government. In no event shall any unit of Local Government receive more than a 5% percent reduction each year from that amount received the prior year pursuant to this section and/or ever reach a level of funding lower than 50% of the amounts received for calendar years one through five pursuant to this section.

If two or more units of Local Government in existence as of the effective date of the exemption, or a successor or successors thereto, shall consolidate into one unit of Local Government, the Tax Base of such consolidated unit of Local Government shall be the sum of the Tax Bases of each of the units of Local Government which have consolidated.

If the powers, duties and obligations of a unit of Local Government are assumed by another unit of Local Government, whether it be by annexation, detachment, conditional transfer or otherwise, the corresponding portion of the Tax Base of the unit of Local Government so acquired shall be added to the Tax Base of the unit of Local Government assuming such powers, duties and obligations.

The units of Local Government that receive replacement revenue pursuant to this section may use those funds for any lawful purpose and are not otherwise restricted.

The Legislature shall implement the provisions of this section.