

HOUSE BILL NO. 4927

September 10, 2019, Introduced by Reps. Vaupel and Afendoulis and referred to the Committee on Tax Policy.

A bill to amend 2014 PA 86, entitled
"Local community stabilization authority act,"
by amending section 17 (MCL 123.1357), as amended by 2018 PA 616.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 17. (1) The legislature shall appropriate funds for all
2 of the following purposes:

3 (a) For fiscal year 2014-2015 and fiscal year 2015-2016, to
4 the authority, an amount equal to all debt loss for municipalities
5 that are not a local school district, intermediate school district,
6 or tax increment finance authority, an amount equal to all school

1 debt loss for municipalities that are a local school district or
2 intermediate school district, and an amount equal to all tax
3 increment small taxpayer loss for municipalities that are a tax
4 increment finance authority. Funds appropriated under this
5 subdivision for fiscal year 2015-2016 may be used to pay a
6 corrected tax increment small taxpayer exemption loss for 2014 if a
7 tax increment finance authority submits before June 1, 2016 a
8 correction to a report that was filed under section 16a before
9 October 1, 2014.

10 (b) For fiscal years after 2013-2014, to the department, an
11 amount equal to the necessary expenses incurred by the department
12 in implementing this act.

13 (c) Beginning in fiscal year 2019-2020 and each fiscal year
14 thereafter, an amount sufficient to allow the authority to continue
15 exercising its powers, duties, functions, and responsibilities
16 under section 11(1)(b), including, for fiscal year 2019-2020, an
17 amount sufficient for the creation of a database.

18 (2) In fiscal year 2014-2015 and fiscal year 2015-2016, the
19 authority shall distribute to municipalities those funds
20 appropriated under subsection (1)(a). However, in fiscal year 2014-
21 2015, if the authority is not able to make the distribution under
22 this subsection, the department shall make the distribution under
23 this subsection on behalf of the authority.

24 (3) For calendar years 2014 and 2015, the authority shall
25 distribute local community stabilization share revenue to each city
26 in an amount determined by multiplying the sum of the local
27 community stabilization share revenue for the calendar years and
28 the amounts calculated under section 14(3)(e) and (f) by a
29 fraction, the numerator of which is that city's amount calculated

1 under section 14(3)(d) and the denominator of which is the total
 2 amount calculated under section 14(3)(d), and subtracting from the
 3 result each city's amounts calculated under section 14(3)(e) and
 4 (f).

5 (4) Beginning for calendar year 2016, the authority shall
 6 distribute local community stabilization share revenue as follows
 7 in the following order of priority:

8 (a) The authority shall distribute to each municipality an
 9 amount equal to all of the following:

10 (i) 100% of that municipality's school debt loss in the current
 11 year as calculated under section 13(4) and 100% of its amount
 12 calculated under section 15.

13 (ii) 100% of that municipality's amount calculated under
 14 section 16.

15 (iii) 100% of that municipality's school operating loss not
 16 reimbursed by the school aid fund in the current year, calculated
 17 by multiplying the operating millage rate reported under section
 18 13(4) or the operating millage rate calculated under section 13(5)
 19 **for mills other than basic school operating mills, as that term is**
 20 **defined in section 2c of the use tax act, 1937 PA 94, MCL 205.92c,**
 21 by the local school district's personal property exemption loss for
 22 the personal property subject to the respective millage. ~~reimbursed~~
 23 ~~under this subparagraph.~~

24 (iv) 100% of the amount calculated in section 14(2). For
 25 calendar years 2016 and 2017 only, however, the amount distributed
 26 to a municipality under this subparagraph shall not exceed the
 27 amount calculated in section 14(1)(d). For all calendar years, all
 28 distributions under this subparagraph shall be used to fund
 29 essential services.

1 (v) For a municipality that is a tax increment finance
2 authority, 100% of its amount calculated under section 16a(2), as
3 confirmed or adjusted by the department. For calculations made
4 under section 16a(2), as modified by section 16b(2), in calendar
5 years 2016 and 2017 only, amounts claimed for increased captured
6 value shall be included as claimed.

7 (vi) 100% of that municipality's amount calculated under
8 section 14(4).

9 (vii) Beginning for calendar year 2019, for municipalities with
10 state facilities under 1977 PA 289, MCL 141.951 to 141.956, 100% of
11 the amount calculated under 1977 PA 289, MCL 141.951 to 141.956.
12 The department of licensing and regulatory affairs shall certify to
13 the department and the authority the amount to be paid to each
14 municipality under this subparagraph.

15 (viii) Beginning for calendar year 2019, for municipalities that
16 incur certain reasonable and allowable costs of required and
17 allowable health services described in section 2475 of the public
18 health code, 1978 PA 368, MCL 333.2475, \$10,000,000.00 of those
19 costs not otherwise reimbursed pursuant to section 2475 of the
20 public health code, 1978 PA 368, MCL 333.2475, or other
21 appropriation. The department of health and human services shall
22 certify to the department and the authority the amount to be paid
23 to each municipality under this subparagraph.

24 (b) Beginning for calendar year 2021, after the distributions
25 under subdivision (a), and subject to subparagraph (viii), the
26 authority shall distribute an amount equal to 10% of the total
27 qualified loss for the current calendar year to each municipality
28 that is not a local school district, intermediate school district,
29 ~~or~~ tax increment finance authority, **or a local authority that first**

1 **levied a millage rate after 2013** in an amount determined as
2 follows:

3 (i) Calculate the total acquisition cost of all eligible
4 personal property in the municipality.

5 (ii) Multiply the result of the calculation in subparagraph (i)
6 by each individual millage levied by the municipality as calculated
7 under section 13(5) that is not used to calculate a distribution
8 under subdivision (a) (i) to (iv).

9 (iii) Divide the sum of the amounts calculated under
10 subparagraph (ii) for all municipalities subject to the calculation
11 by total qualified loss.

12 (iv) Multiply the result of the calculation in subparagraph (iii)
13 by the difference between the amount calculated under section
14 16a(2) for captured taxes for each individual millage levied by the
15 municipality not including taxes attributable to increased captured
16 value and the subtraction amounts calculated under section
17 14(2) (d), (2) (f), and (4) (d) for that millage.

18 (v) Subtract from the amount calculated under subparagraph (ii)
19 the amount calculated under subparagraph (iv) for the individual
20 millage levied.

21 (vi) Divide the result of the calculation in subparagraph (v)
22 by the sum of the calculation under subparagraph (v) for all
23 millages for all municipalities.

24 (vii) Multiply the result of the calculation in subparagraph
25 (vi) by the amount to be distributed under this subdivision.

26 (viii) For calendar year 2022, and each calendar year
27 thereafter, the percentage amount described in this subdivision
28 shall be increased an additional 10% each year, not to exceed 100%.

1 (c) For calendar years 2016 and 2017, after the distributions
2 in subdivision (a), the authority shall distribute the remaining
3 balance of the local community stabilization share fund for a
4 calendar year to each municipality in an amount determined by
5 multiplying the remaining balance by a fraction, the numerator of
6 which is that municipality's qualified loss and the denominator of
7 which is the total qualified loss. Beginning for calendar year
8 2018, after the distributions in subdivisions (a) and (b), the
9 authority shall distribute local community stabilization share
10 revenue under this subdivision to each municipality in an amount
11 determined by multiplying total qualified loss minus the total
12 amount distributed in subdivision (b) for a calendar year by a
13 fraction, the numerator of which is that municipality's qualified
14 loss and the denominator of which is the total qualified loss.

15 (d) After the distributions under subdivisions (a) to (c),
16 beginning for calendar year 2018, the department shall adjust the
17 amounts calculated under subdivisions (b) and (c) for a
18 municipality that is a county, township, village, city, or
19 community college district by the amount of any overpayment to that
20 municipality under those subdivisions for that calendar year and
21 the authority shall distribute the following:

22 (i) To a municipality, the amount of any underpayment
23 calculated under subsection (5) for calendar years after 2016.

24 (ii) For calendar year 2018 only, a total of \$13,600,000.00 to
25 municipalities with state facilities under 1977 PA 289, MCL 141.951
26 to 141.956. The department of licensing and regulatory affairs
27 shall certify to the department the amount to be paid to each
28 municipality under this subparagraph.

29 (e) Except as otherwise provided in this subdivision, after

1 the distributions under subdivisions (a) to (d), the authority
2 shall distribute the remaining balance of the local community
3 stabilization share fund for the calendar year to each municipality
4 that is a county, township, village, city, or community college
5 district in an amount determined by multiplying the remaining
6 balance by a fraction, the numerator of which is the sum of that
7 municipality's amount received under subdivisions (b), (c), and
8 (d), only to the extent that the distribution under subdivision (d)
9 is for an underpayment of the current calendar year's subdivision
10 (b) or (c) amount, and the overpayment adjustment under subdivision
11 (d), and the denominator of which is the sum of the total amount
12 distributed to all counties, townships, villages, cities, and
13 community college districts under subdivisions (b), (c), and (d),
14 only to the extent that the distribution under subdivision (d) is
15 for an underpayment of the current calendar year's subdivision (b)
16 or (c) amount, and the total overpayment adjustments for all
17 counties, townships, villages, cities, and community college
18 districts under subdivision (d). For any municipality that, in
19 total, was overpaid under subdivisions (a), (b), and (c), the
20 distribution under this subdivision, which for purposes of this
21 calculation for any municipality other than a county, township,
22 village, city, or community college district shall be \$0, shall be
23 reduced by any positive amount determined by subtracting the
24 corrected amounts under subdivisions (a) to (c) for that
25 municipality from the distributed amounts under subdivisions (a) to
26 (c) for that municipality and subtracting \$10,000.00. If the
27 resulting distribution amount is negative, the municipality has
28 been overpaid for the year by the amount of the negative balance.
29 The municipality shall pay to the authority the amount of the

1 overpayment in 3 equal annual payments, due by September 20 1 year
2 following notice of the overpayment and by September 20 of the
3 subsequent 2 years. A municipality may pay the amount of the
4 overpayment at any time during the 3-year period. If a municipality
5 fails to repay the amount of the overpayment as provided in this
6 subdivision, the authority shall add interest to the entire amount
7 of the original overpayment from the date of notice of the
8 overpayment and may reduce subsequent distributions to the
9 municipality under this section to recover the outstanding balance
10 of the overpayment and interest. Interest added under this
11 subdivision shall be at the rate determined under section 23 of
12 1941 PA 122, MCL 205.23. Any overpayment amounts repaid to the
13 authority under this subdivision by September 30 of each year shall
14 be added to the local community stabilization share revenue
15 available for distribution for the calendar year. If reductions to
16 distributions calculated under this section result in the authority
17 having a year-end balance of local community stabilization share
18 revenue, that revenue shall be added to the local community
19 stabilization share revenue available for distribution for the
20 subsequent calendar year.

21 (5) The department and authority shall administer overpayments
22 and underpayments as follows:

23 (a) For calendar years before 2016, if a municipality received
24 an overpayment under this section due to an error in reporting or
25 calculation, the authority may reduce a subsequent payment to the
26 municipality or bill the municipality to recover the overpayment.

27 (b) Before November 7, 2017, the department shall recalculate
28 2016 payments to correct any errors in reporting under section
29 13(3) or (4) and any calculation errors made by the department, and

1 adjust the 2017 payment to each municipality for any change in its
2 2016 payment.

3 (c) For calendar year 2018, for any errors in reporting under
4 section 13(3) or (4) in calendar year 2017 or 2018, any calculation
5 errors made by the department in calendar year 2017 or 2018, or any
6 prior year error adjustment used in the calculation of the calendar
7 year 2017 distributions, that resulted in an underpayment or
8 overpayment under this section to a municipality for the prior
9 calendar year or current calendar year, the department shall
10 calculate the amount of underpayment or overpayment. For each
11 municipality, the department shall add together the calendar year
12 2016 and calendar year 2017 underpayment and overpayment amounts.
13 If a municipality has a net underpayment for calendar years 2016
14 and 2017, the amount of the net underpayment shall be added to the
15 calendar year 2018 underpayment or overpayment amount for that
16 municipality. If a municipality has a net overpayment for calendar
17 years 2016 and 2017, the amount of the net overpayment shall be
18 excused by the authority and shall not be added to the calendar
19 year 2018 underpayment or overpayment amount for that municipality.
20 The following apply to determining underpayment or overpayment
21 amounts:

22 (i) For calendar year 2016, the underpayment or overpayment of
23 a municipality's qualified loss shall be calculated by multiplying
24 the municipality's qualified loss by 261.3820%.

25 (ii) For calendar year 2017, the underpayment or overpayment of
26 a municipality's qualified loss shall be calculated by multiplying
27 the municipality's qualified loss by 292.4677%.

28 (d) Beginning for calendar year 2019, for any errors in
29 reporting under section 13(3) or (4), and for any calculation

1 errors made by the department, that resulted in an underpayment or
2 overpayment under this section to a municipality for the current
3 calendar year, the department shall calculate the amount of
4 underpayment or overpayment. A calculation made under this
5 subdivision shall not recalculate a prior year payment.

6 (e) Except as provided in subsection (6), any underpayment
7 shall be paid to the municipality as provided in subsection (4)(d).
8 Any underpayment amount determined by the department to be the
9 fault of that municipality, by either the municipality reporting
10 inaccurate information or filing information after the reporting
11 due dates, shall not be included in any payment made under
12 subsection (4)(d) or (6).

13 (f) For any overpayment for which the state treasurer
14 determines that the municipality was at fault and acted in bad
15 faith, the department may calculate the amount of the overpayment
16 for all years to which the bad faith applied without any adjustment
17 and the municipality shall immediately repay the amount of the
18 overpayment and interest to the authority within 30 days following
19 notice of the overpayment. If a municipality fails to repay the
20 amount of the overpayment and interest to the authority, the
21 authority shall reduce subsequent payments to the municipality
22 under this section to recover the outstanding balance of the
23 overpayment and interest. Interest added under this subsection
24 shall be at the rate determined under section 23 of 1941 PA 122,
25 MCL 205.23. Any overpayment amounts repaid to the authority under
26 this subsection by September 30 of each year shall be added to the
27 local community stabilization share revenue available for
28 distribution for the calendar year. Any reduction of subsequent
29 payments due to municipalities failing to repay the amount of the

1 overpayment and interest shall be added to the local community
2 stabilization share revenue available for distribution for the
3 subsequent calendar year.

4 (6) If a municipality received an underpayment under this
5 section of \$500,000.00 or more for calendar year 2017 due to an
6 error in reporting under section 13(3) or (4), or a calculation
7 error made by the department, including a prior year error
8 adjustment used in the calculation of the calendar year 2017
9 distributions, the municipality may notify the department of any
10 errors identified by providing substantiating documentation to
11 support an adjustment to the payment amount by August 1, 2018. Upon
12 the department's review of the substantiating documentation and
13 verification of the errors, the department shall calculate an
14 underpayment amount in accordance with subsection (5) (c). The
15 underpayment amount shall be calculated using the appropriate
16 proration factor provided for under subsection (5) (c). The
17 department shall determine if the substantiating documentation is
18 sufficient. The department shall notify the authority to make an
19 advance 2018 payment to the municipality for the amount of the 2017
20 underpayment. The advance payment shall be deducted from the
21 municipality's payment for calendar year 2018 that includes the
22 distribution under subsection (4) (d).

23 (7) For payments received beginning October 20, 2018, a
24 municipality shall do all of the following:

25 (a) Allocate payments received, up to 100% reimbursement,
26 under this section based on the portion of the municipality's
27 payment attributable to each millage levied by the municipality.
28 The portion of the payment allocated to each millage other than the
29 general operating millage shall be considered restricted and

1 recorded by the municipality in the same manner as the millage
2 levied. As used in this subsection, "100% reimbursement" means the
3 amounts received under subsection (4) (a) (i) to (vi), (b), (c), and
4 (d) (i), only to the extent that the distribution under subsection
5 (4) (d) (i) is for an underpayment of the current calendar year's
6 subsection (4) (a) (i) to (vi), (b), or (c) amount.

7 (b) For millage levied by a county under section 20b of 1909
8 PA 283, MCL 224.20b, the governing bodies of the cities and
9 villages in the county and the board of county road commissioners
10 shall agree to a formula that allocates a portion of the payments
11 under this section to each city and village based on the city and
12 village share of the losses and acquisition cost used to calculate
13 the payment to the county described in this subdivision and each
14 city's and village's portion of that share. The formula once
15 established will be in effect until the effective date of any
16 subsequent agreement. If the governing bodies of the cities and
17 villages and the board of county road commissioners described in
18 this subdivision do not agree on a formula by March 31 following
19 the receipt of the subsection (8) (b) payment, the department may
20 prescribe a formula for allocating the payments under this section.

21 (c) Payments under this section, except for the payments under
22 subsection (4) (a) (vii) and (viii) and subsection (4) (d) (ii), to a
23 municipality that is participating in an intergovernmental
24 conditional transfer by contract under 1984 PA 425, MCL 124.21 to
25 124.30, or any other interlocal agreement that provides for a
26 millage-based sharing of revenue, shall be allocated between the
27 parties based on the proportionate share of the payment as it is
28 attributable to the area subject to the agreement.

29 (8) The authority shall make the payments required by

1 subsection (3) not later than June 20, 2016, payments required by
2 subsection (6) not later than October 20, 2018, and payments
3 required by subsection (4) not later than on the following dates:

4 (a) Except as provided in subdivision (d), for county
5 allocated millage, November 20, 2017, and thereafter October 20 of
6 the year the millage is levied.

7 (b) Except as provided in subdivision (d), for county extra-
8 voted millage, township millage, and other millages levied 100% in
9 December of a year, February 20 of the following year.

10 (c) Except as provided in subdivision (d), for other millages,
11 November 20, 2017, and thereafter October 20 of the year the
12 millage is levied.

13 (d) For payment under subsection (4) (d) (i) and (e), May 20 of
14 the year following the calendar year for which the payments are
15 calculated.

16 (e) For payment under subsection (4) (d) (ii), November 30, 2018,
17 and for payment under subsection (4) (a) (vii) and (viii), November 30
18 every year.

19 (9) If the authority has insufficient funds to make the
20 payments on the dates required in subsection (8), the department
21 shall advance to the authority the amount necessary for the
22 authority to make the required payments. The authority shall repay
23 the advance to the department from the local community
24 stabilization share.

25 (10) For each fiscal year from fiscal year 2015-2016 through
26 fiscal year 2018-2019, the authority may use up to \$300,000.00 of
27 the local community stabilization share revenue for purposes
28 consistent with implementing and administering this act. For each
29 fiscal year after fiscal year 2018-2019, the authority may use, for

1 purposes consistent with implementing and administering this act,
2 local community stabilization share revenue up to the amount of
3 local community stabilization share revenue authorized for use
4 under this subsection for the prior fiscal year multiplied by 1.01.

5 (11) The authority shall distribute local community
6 stabilization share revenue under this section as follows:

7 (a) From fiscal year 2015-2016 local community stabilization
8 share revenue, \$19,200,000.00 for calendar years 2014 and 2015 and
9 \$76,900,000.00 for calendar year 2016.

10 (b) From fiscal year 2016-2017 local community stabilization
11 share revenue, \$297,400,000.00 for calendar year 2016 and
12 \$83,200,000.00 for calendar year 2017.

13 (c) From fiscal year 2017-2018 local community stabilization
14 share revenue, \$321,500,000.00 for calendar year 2017 and
15 \$89,000,000.00 for calendar year 2018.

16 (d) From fiscal year 2018-2019 local community stabilization
17 share revenue, \$341,800,000.00 for calendar year 2018 and
18 \$95,900,000.00 for calendar year 2019.

19 (e) From fiscal year 2019-2020 local community stabilization
20 share revenue, \$364,500,000.00 for calendar year 2019 and
21 \$101,400,000.00 for calendar year 2020.

22 (f) From fiscal year 2020-2021 local community stabilization
23 share revenue, \$383,500,000.00 for calendar year 2020 and
24 \$108,000,000.00 for calendar year 2021.

25 (g) From fiscal year 2021-2022 local community stabilization
26 share revenue, \$405,700,000.00 for calendar year 2021 and
27 \$115,600,000.00 for calendar year 2022.

28 (h) From fiscal year 2022-2023 local community stabilization
29 share revenue, \$428,300,000.00 for calendar year 2022 and

1 \$119,700,000.00 for calendar year 2023.

2 (i) From fiscal year 2023-2024 local community stabilization
3 share revenue, \$438,900,000.00 for calendar year 2023 and
4 \$122,800,000.00 for calendar year 2024.

5 (j) From fiscal year 2024-2025 local community stabilization
6 share revenue, \$445,800,000.00 for calendar year 2024 and
7 \$124,000,000.00 for calendar year 2025.

8 (k) From fiscal year 2025-2026 local community stabilization
9 share revenue, \$447,100,000.00 for calendar year 2025 and
10 \$124,300,000.00 for calendar year 2026.

11 (l) From fiscal year 2026-2027 local community stabilization
12 share revenue, \$447,700,000.00 for calendar year 2026 and
13 \$124,500,000.00 for calendar year 2027.

14 (m) From fiscal year 2027-2028 local community stabilization
15 share revenue, \$448,000,000.00 for calendar year 2027 and
16 \$124,600,000.00 for calendar year 2028.

17 (n) From the local community stabilization share revenue for
18 fiscal year 2028-2029 and each fiscal year thereafter, the
19 authority shall increase the prior fiscal year's 2 distribution
20 amounts under this subsection by the personal property growth
21 factor, the first amount for the calendar year in which the fiscal
22 year begins and the second amount for the calendar year in which
23 the fiscal year ends. As used in this subdivision, "personal
24 property growth factor" means that term as defined in section 2c of
25 the use tax act, 1937 PA 94, MCL 205.92c.