

Senate Fiscal Agency  
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**SFA**

BILL ANALYSIS

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Senate Bill 356 (as enrolled)  
Sponsor: Senator George A. McManus, Jr.  
Senate Committee: Finance  
House Committee: Tax Policy

**PUBLIC ACT 501 of 2002**

Date Completed: 2-4-03

**RATIONALE**

Public Act 33 of 1951 allows certain local units (townships, incorporated villages, and cities) with a population under 15,000 to levy and collect special assessments for maintenance and operation of police and fire departments, and to issue bonds in anticipation of the collection of the special assessments. A special assessment becomes due and is collected at the same time as township property taxes are assessed, levied, and collected. In general, local units levy property taxes in December, though some levy taxes in July or split their levy between winter and summer. Absent specific language in Public Act 33, some local units questioned whether they were authorized to collect a special assessment in July. It was suggested that the Act specifically allow the collection of a special assessment in July.

In another matter, a dispute arose regarding the applicability of a Public Act 33 special assessment to real property owned by entities that are exempt from the property tax under the General Property Tax Act. Such entities include schools, nonprofit cultural or educational organizations, nonprofit charitable institutions, houses of worship, and others. Attorney General Opinion No. 7042 (February 2000) stated that Public Act 33 provided no exemptions from special assessments for any lands; therefore, lands exempt from property taxes under the General Property Tax Act were not exempt from a special assessment levied under Public Act 33. It was suggested that such an exemption be created.

**CONTENT**

The bill amended Public Act 33 of 1951 to provide that if a township has a July property tax levy, a special assessment of up to two

mills may be collected at the same time and in the same manner as the July levy. Further, the bill provides that beginning in 2002, special assessments levied under the Act do not apply to lands and premises exempt from property taxes under the General Property Tax Act.

In addition, the bill provides that bonds issued under Public Act 33 are subject to the Revised Municipal Finance Act. (The Revised Municipal Finance Act governs municipal borrowing, and took effect in March 2002.)

MCL 41.801

**ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

**Supporting Argument**

The bill makes it clear that a township that levies a July property tax may collect a special assessment, of two mills or less, at the same time. This will eliminate any concern that the Act does not permit such collections, and assure townships that they may collect a special assessment, or part of a special assessment, in July, which may help them avoid cash flow problems in funding their police or fire service.

Further, the bill eliminates a concern that many people had regarding the applicability of a special assessment to property owned by churches, nonprofit organizations, and other charitable entities. Money donated to these organizations typically is passed through to individuals for physical, mental, and spiritual needs, and should not be taxed by way of

special assessments. In addition, exempting these entities' property from special assessments relieves local assessors of attempting to place a taxable value on churches, nonprofit hospitals, etc., for the purpose of calculating the levy.

Legislative Analyst: George Towne

### **FISCAL IMPACT**

The bill will have no fiscal impact on the State. The exemption for lands and premises exempt from property taxes under the General Property Tax Act will reduce special assessment revenues collected by local units, to the extent those units were applying special assessments to that property. These amounts are unknown.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.