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SFA

BILL ANALYSIS

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Senate Bill 1203 (as enrolled)
Sponsor: Senator Bill Bullard, Jr.
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 744 of 2002

Date Completed: 1-10-03

CONTENT

The bill amended the General Property Tax Act to require an assessor, in determining the true cash value of personal property owned by an electric utility cooperative, to consider the number of kilowatt hours of electricity sold per mile of distribution line, compared to the average number of kilowatt hours sold per mile of distribution line for all electric utilities.

MCL 211.27

Legislative Analyst: George Towne

FISCAL IMPACT

The bill will reduce State and local revenues by an unknown amount and increase expenditures from the School Aid Fund.

The 10 electric utility cooperatives in Michigan paid approximately \$8.0 million in taxes in 2001. Property taxes are estimated to comprise most, if not all, of this figure. Currently, assessors consider a number of factors, including economic factors, when assessing the value of electric utility cooperative property. The bill's language requires an assessor to consider a new, additional factor when making the assessment, but does not require the new factor to be the sole determinant in making the assessment. Currently, one of the factors assessors use compares the number of kilowatt hours of electricity sold by a taxpayer to all other similar taxpayers. The bill requires the assessment to consider a comparison with all other electric utilities, not just cooperatives.

As a result, in addition to not knowing how much the new comparison will affect the

assessment if it is the only factor, it is not possible to know how much individual assessors will consider the factor. The data suggest that the factor, depending on the degree to which it is considered, may reduce the economic factors used in the assessment by between 0% and more than 31.5%.

Using the 31.5% reduction as an extreme example, if an assessor were to use exclusively economic factors in the assessment, the bill could reduce property taxes paid by electric utility cooperatives by approximately \$2.5 million. State revenues under the State Education Tax Act would decline approximately \$0.3 million, with the remaining impact reducing local unit revenues. However, the loss of approximately \$0.9 million in local unit revenues from the 18 mills levied for school operating purposes would be offset by increased expenditures from the School Aid Fund.

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.