



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1101 (as enrolled)
Sponsor: Senator Bob Emerson
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 624 of 2006

Date Completed: 2-5-07

CONTENT

The bill amended the State Education Tax (SET) Act to provide that in each city or township where the State Treasurer collected the tax during the summer of 2006, the city or township must collect the SET beginning in the summer of 2007 and each following summer.

Under the Act, a city or township must collect the SET unless, before November 1, 2002, the legislative body of the city or township adopted a resolution declining to collect the tax and, for a township, the treasurer concurred with the resolution. In January (beginning in 2004), the legislative body of the city or township that opted not to collect the SET may, by resolution, rescind its decision not to collect the tax. The city or township must send a copy of that resolution to the State Treasurer and the county treasurer.

A county that receives a copy of a resolution from a city or township declining to collect the SET must collect the tax unless, before February 1, 2003, the county board of commissioners adopted a resolution declining to collect it and the county treasurer concurred in the resolution. In February (since 2004), a county board of commissioners that opted not to collect the SET may, by resolution and with the written concurrence of the county treasurer, rescind its decision not to collect the tax.

If a county declines to collect the SET, the State Treasurer must collect the tax.

Under the bill, notwithstanding the adoption of a resolution by the legislative body of a city or township declining to collect the SET, in a city or township in which the State Treasurer collected the tax during the summer of 2006, the city or township must collect the SET beginning in the summer of 2007 and each summer thereafter.

The bill took effect on January 3, 2007.

MCL 211.905b

BACKGROUND

The SET Act was enacted in 1993 as part of a school finance reform package. The Act imposes a tax of six mills on all nonexempt real and personal property subject to the general property tax. Originally, the SET was collected at the same time as other taxes levied by a school district were collected. Depending on where they lived, some taxpayers paid the SET in their winter tax levy; some paid in the summer tax levy; and others paid three mills in winter and three in summer. Public Act 244 of 2002 amended the SET Act to require the collection of the tax in the summer of 2003 and each summer thereafter, in order to speed up revenue collection during a budget shortfall.

The SET Act provides for local governments collecting no other summer levies to retain \$2.50 for each parcel upon which the SET is collected, to give them an incentive to collect the tax. If the SET is collected by the State Treasurer, it is subject to a 1% administration fee. Public Act 108 of 2004

changed the process for local units to obtain the \$2.50 per parcel. Previously, they remitted all SET revenue to the State, and eligible local units received \$2.50 per parcel subject to appropriation. After no funds were appropriated for fiscal year 2003-04, Public Act 108 allowed eligible local units to retain the \$2.50 per parcel, before remitting revenue to the State.

Public Act 357 of 2004, however, shifted the collection of most county property taxes to a summer levy, and charged the unit responsible for collecting the SET with collecting county taxes under the summer levy. As a result, Public Act 357 essentially made most local units ineligible for the \$2.50 per parcel reimbursement. Therefore, Public Act 543 of 2004 amended the SET Act to require cities and villages to collect the tax and retain \$2.50 per parcel if they levy no property tax during the summer except the SET or village taxes (as already provided) or, beginning in the summer of 2005, that portion of the number of mills allocated to a county by a county tax allocation board or authorized for a county through a separate tax limitation vote, if that portion of the number of mills allocated or authorized was not levied before the summer of 2005.

MCL 211.905b

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill will increase revenue and expenditures by an unknown, although likely minimal, amount in several local units located primarily in Sanilac County. Instead of having the State handle the collection activities for the State education tax, the bill requires these local units to collect the State education tax. Local units are allowed to retain \$2.50 per parcel when they collect the State education tax, and the local unit may impose a 1% administrative fee under certain circumstances if it collects the taxes. The bill will negligibly affect State revenue since the State does not lose the \$2.50 per parcel when it collects the tax, and will reduce expenditures by a negligible amount because the State no longer will collect the State education tax on behalf of any local units.

Fiscal Analyst: David Zin

S0506\S1101es

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.