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BILL ANALYSIS

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House Bill 4926 (as passed by the House)
Sponsor: Representative Brenda Carter
House Committee: Tax Policy
Senate Committee: Finance, Insurance, and Consumer Protection

Date Completed: 10-18-23

**CONTENT**

**The bill would amend the General Property Tax Act to require personal property located in an alternate location on tax day to be assessed in its ordinary location. The Act currently requires personal property to be assessed in this manner only for the 2021, 2022, and 2023 tax years if the property is in an alternate location due to the COVID-19 pandemic.**

Specifically, notwithstanding any provision of the Act to the contrary, including any provision to the contrary in Section 13(1) or 14(1), *for the 2021, 2022, and 2023 tax years only,* personal property, including exempt personal property, that is located on tax day in an alternate location *because of the COVID-19 pandemic* may not be assessed in that alternate location but instead must be assessed in its ordinary location. (Section 13(1) generally requires all tangible personal property to be assessed to the owner of that tangible personal property, if known, in the local tax collecting unit in which the tangible personal property is located on tax day. Section 14(1) requires all goods and chattels located in a local tax collecting unit other than that in which the owner of the goods or chattels resides to be assessed in the local tax collecting unit in which the goods or chattels are located.)

Specifically, under the bill, notwithstanding any provision of the Act to the contrary, including any provision to the contrary in Section 13(1) or 14(1), personal property, including exempt personal property, that was located on tax day in an alternate location could not be assessed in that alternate location but instead would have to be assessed in its ordinary location.

Currently, "ordinary location" means the geographic area of a local tax collecting unit in Michigan where an item of personal property would have been located for its primary use but for the need to move it to an alternate location due to the COVID-19 pandemic. For these purposes, evidence of the ordinary location of personal property includes either or both of the following:

-- A business location of the owner or other person beneficially entitled to the property or in possession of it, as described in Section 13(1), where the property usually is deployed under conditions unaffected by the COVID-19 pandemic.
-- If the property was located in the geographic area of a local tax collecting unit in the State on December 31, 2019, that location.

Instead, the term would mean the geographic area of a local tax collecting unit in Michigan where an item of personal property would have been located for its primary use. For these purposes, evidence of the ordinary location of personal property would include a business location of the owner or other person beneficially entitled to the property or in possession of it, as described in Section 13(1), where the property would be deployed if its user did not work from the alternate location.

"Alternate location" means the geographic area of a local tax collecting unit in the State that is not the ordinary location of an item of personal property but is the location to which the property was moved due to the COVID-19 pandemic. The bill would modify this definition to eliminate the reference to COVID-19.

MCL 211.14a Legislative Analyst: Eleni Lionas

**FISCAL IMPACT**

The bill would have no impact on State revenue or expenditures and an indeterminate impact on local revenue.

The bill would have no impact on State revenue under the State Education Tax. Under most circumstances, the bill would have no impact on School Aid Fund expenditures (as a result of mills levied for school operating purposes). The State Education Tax is levied at six mills regardless of the location. Except for a few hold-harmless jurisdictions, the number of mills levied for school operating purposes is fixed and does not vary by jurisdiction. While the location of the property would affect which school districts generated revenue from school operating mills, and thus the revenue provided by the State to meet the foundation allowance, in aggregate the changes across all increases and decreases would total zero. Because the bill would not affect a district's foundation allowance, the bill would not affect any individual school district's revenue.

The bill would have an indeterminate fiscal impact on local revenue of likely limited magnitude in the aggregate. The revenue impact could be meaningful for specific local units. As this bill would extend the provisions of the Section from the 2021 to 2023 tax years indefinitely, the marginal impact would be limited. For property that has been relocated to an alternate location, the impact would depend on whether the tax rate in the alternate location was greater than or less than the tax rate in the ordinary location. Absent the bill, property located in an alternate location on tax day would generate additional tax revenue, compared to previous years and what would have happened absent the relocation, for the local units associated with the alternate locate. Similarly, absent the bill, local units associated with the ordinary location would receive less revenue compared to previous years and what would have happened absent the COVID-19 pandemic. Any impacts would depend on the specific value of affected property and the tax rates in the affected local units.

Fiscal Analyst: David Zin

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