

April 18-19, 2023

Lansing Center

CAP CON 2023



michigan municipal league



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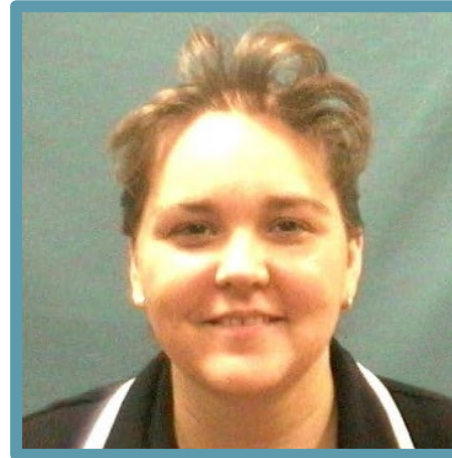


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Changes to the Small Taxpayer Exemption

MCL 211.9o
PA 150 of 2021

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Overview

- **Small Business Personal Property Exemption**
- **Increase exemption from less than \$80,00 to less than \$180,000**
- **Effective December 31, 2022**
- **Exemption Claim Form (5076) updated for 2023 claims**
- **Additional requirements for the \$80K and above filer**
- **Reimbursement process for above \$80K for 2023 Tax Year**

Small Taxpayer Exemption Increase: Local Reimbursement Funding

Current Funding – Public Act 132 of 2021

- \$75 million appropriated
- One-year funding
- Funding to offset small taxpayer exemption revenue reductions

Sec. 402. (1) The funds appropriated in part 1 for local community stabilization authority reserve account may only be expended to offset reductions in revenue as a result of changes to industrial personal property and commercial personal property exemptions under section 90 of the general property tax act, 1893 PA 206, MCL 211.90, that are enacted on or after December 14, 2021.

- First Distribution Spring 2024

Small Taxpayer Exemption Increase: Local Reimbursement Funding

Agreement in 2021 to Discuss Long-Term Funding Options

Long-Term Funding Has Not Been Enacted

- **SB 1060, SB 1061, and SB 1062 all passed in the Senate in 2022**
 - **\$75 million allotted each year from use tax**
- **House did not act on the bills**
- **Bills failed to be enacted at the end of the 2022 legislative session**

Small Taxpayer Exemption Increase: Local Reimbursement Funding

Governor's 2023 Executive Budget Recommendation

- **Draft legislation**
 - Same as SB 1060, SB 1061, SB 1062
 - Needs introduced in the new legislative bi-annual session



Qualified Heavy Equipment Rental Personal Property (QHERPP)

**Qualified Heavy Equipment Rental Personal
Property**

Public Act 35 of 2022

Public Act 46 of 2022

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Overview

- PA 46 exempts "Qualified Heavy Equipment Rental Personal Property" from the GPTA under MCL 211.9p
- Effective March 23, 2022 for the 2023 Tax Year
- PA 35 creates "Qualified Heavy Equipment Rental Personal Property Specific Tax"
- Effective March 17, 2022 for the 2023 Tax Year

Exemption

Qualified Heavy Equipment Rental Personal Property

Qualified Renter

Claimed in the Qualified Renter Business Location - Form 5819 (2 part form)

Qualified Heavy Equipment Rental Personal Property (QHERPP) Distribution

2% QHERPP Specific Tax:

- **Effective January 1, 2023**
- **On each qualified heavy equipment rental transaction - 2% of the rental price of the eligible personal property net of any customer credits given at end of rental**
- **Collected by Qualified Renters**
- **Quarterly remitted to the Michigan Department of Treasury**

Qualified Heavy Equipment Rental Personal Property (QHERPP) Distribution

Distributions (upon appropriation):

- **Administration**
- **90% of revenues to eligible Tax Collecting Units (Cities & Townships) based on proportion of total tax collected from qualified rental location in eligible tax collecting unit**
- **10% of revenues to all other cities, villages, townships and counties that did not receive a 90% payment based on calendar year distribution of Local Community Stabilization Share revenue**

Qualified Heavy Equipment Rental Personal Property (QHERPP) Distribution

Distribution Timing:

- **90% Distributions:**
 - September 30th (January – June revenues)
 - March 31st (July – December revenues)
 - Anticipated First Payment: September 30, 2023
- **10% Distributions:**
 - July 31st (January – December revenues)
 - Anticipated First Payment: July 31, 2024

Inflation and Property Taxes

Inflation Rate Multiplier

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Overview

- **Proposal A – State Constitution Article IX, Section 3 – rate of inflation or 5% cap, whichever is less**
- **MCL 211.34d - Inflation Rate Multiplier**
- **Inflation Rate Calculation**
- **Capped Value formula: 2023 Capped Value = (2022 Taxable Value – LOSSES) x 1.05 + ADDITIONS**
- **Uncapping event resets Taxable Value**



Protecting MI Pension Grant Program

**MI Pension Grant Program
Public Act 166 of 2022**

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Overview

- **The Protecting MI Pension Grant Program:** was created to help Michigan's underfunded municipal pension systems. Under the [Fiscal Year 2022-23 budget](#), the Michigan Department of Treasury (Treasury) was appropriated \$750 million to establish and operate a local unit municipal pension principal payment grant program for qualified retirement systems with a funded ratio below 60%, as defined in the Protecting Local Government Retirement and Benefits Act, [Public Act 202 of 2017](#).
- **Eligibility:**
 - **Qualified retirement system:** means a retirement pension benefit within a retirement system, as defined in section 3 of the protecting local government retirement and benefits act, 2017 PA 202, MCL 38.2803, of a qualified unit, with a funded ratio below 60 based on the last report filed as required by section 5 of the protecting local government retirement and benefits act, 2017 PA 202, MCL 38.2805, as of December 31, 2021.
 - **Qualified unit:** means a city, county, township, village, or road commission that operates a qualified retirement system.

Key Terms

Key to understanding the Protecting MI Pension: Michigan Local Pension Grant Program is the definition of “qualified retirement system”, “qualified unit”, and “contractual benefit enhancement”.

- (a) “Qualified retirement system” means a retirement pension benefit within a retirement system, as defined in Section 3 of the Protecting Local Government Retirement and Benefits Act, Public Act 202 of 2017, MCL 38.2803, of a qualified unit, with a funded ratio below 60 based on the last report filed as required by Section 5 of the Protecting Local Government Retirement and Benefits Act, Public Act 202 of 2017, MCL 38.2805, as of December 31, 2021.
- (b) “Qualified unit” means a city, county, township, village, or road commission that operates a qualified retirement system.
- (c) “Contractual benefit enhancement” means any change to the current benefit policy for active members in a qualified retirement system that increases the actuarially determined contribution rate or decreases the funded ratio of the system. This does not include wage and salary increases.

Protecting MI Pension Grant Process

- Preliminary List of Qualified Retirement Systems
- Grant Qualifications
- Grant Timeline
- Forms and Applications
- Payment Distribution Process
- Reporting Requirements
- Guidance

Key Dates

- **April 15, 2023**
 - The Department of Treasury will publish educational materials no later than April 15, 2023.
- **June 15, 2023**
 - The department of treasury will accept applications from qualified units beginning April 15, 2023 and ending on June 15, 2023.
- **No Later than July 17, 2023**
 - Award Notification Date
- **No Later than August 7, 2023**
 - Submit Grant Agreement
- **August 30, 2023**
 - Payments to qualified retirement systems must be disbursed no later than August 30, 2023

Timeline and Distribution

Date	Description
Early-February	Website Live
Mid/Late February	Publish Preliminary Qualified Local Government Funded Ratios as of December 31, 2021
March 31, 2023	Local Government Data Discrepancy Response Deadline
April 6, 2023 and TBD	Pension Grant Webinars
April 15, 2023	Program Guidelines Due
April 17 th – June 15 th	Submission of Applications
June 15, 2023	Application Submission Deadline
June 15, 2023-July 15, 2023	Application Review Period
TBD	Pro-ratio Calculation If Needed
July 17, 2023	Grant Payment Award Notification Period
August 7, 2023	Deadline for Local Government to Submit Grant Award Agreement
August 30, 2023	Last Date to Disburse Funds
August 30, 2024	Audit of Payments to Retirement Systems