

In This Issue:

- 2 New PILT process
Changes to assessment notices
- 3 Legislation to move school
elections off May date
Obama signs employment legislation
- 4 Water softener tax loophole fix
Legislation on assessing errors and
omissions nears final approval



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A Legislative Update for Township Officials

House backs off revenue sharing cuts; other budget items reviewed

The House Appropriations Committee restored revenue sharing cuts on March 18 for the next fiscal year (beginning Oct. 1, 2010) after failing to garner enough votes for a 3.1 percent cut or \$10 million to statutory revenue sharing for townships, cities and villages and a similar cut for counties amounting to \$3.6 million. The full Appropriations Committee approved HB 5880, the general government budget bill that contains revenue sharing, only after revenue sharing levels were restored to the governor's budget recommendation (a freeze at current year levels). The House Appropriations Subcommittee on General Government recommended the revenue sharing cuts in HB 5880 on March 9, plus a reduction in constitutional revenue sharing by \$19 million, or roughly 3 percent compared to the current year level (due to declining sales tax collections by the state). The full appropriations committee also acted to tie the revenue sharing restoration to 11 tax loophole reform bills that would net \$26 million in revenue. The House was scheduled to vote on the general government budget bill the week of March 22.

MTA, along with other local government groups, testified before the House Appropriations Committee on March 16 to explain how 10 years of revenue sharing cuts is taking a significant toll on local government services and how the cuts this year are coming on top of significant reductions in property tax revenues. MTA appreciates the efforts of many committee members who are committed to holding the line on revenue sharing cuts. Their action puts local governments in a better position as the general government budget moves to the Senate in the coming weeks. It appears the Senate is considering a 5 percent cut to revenue sharing amounting to \$52 million less than the governor's budget recommendation. It is not clear if this is a cut to statutory only or includes adjustments to constitutional revenue sharing (due to lower sales tax collections).

State Police Budget; Detroit post could be closed

Other areas in the state budget are also prompting radical or creative budgeting depending on your perspective. Significant budget battles are once again brewing in the State Police budget (HB 5888). While

the governor's budget proposal for next fiscal year didn't include post closures as it has in the past, it did include wiping out all funding for secondary road patrols (\$2.2 million) performed by county sheriff departments. To some this appeared to set up another battle between the State Police and county sheriffs. However, budget plans in the House, as approved by the House Appropriations Committee, restore secondary road patrol funding by implementing a \$5 fee increase in traffic violations. The fee increase would also provide \$2.95 million for the state police crime lab (located in Detroit) that has a huge backlog on processing evidence. The House plan also calls for \$1 million in savings in the State Police budget in part by closing the State Police post (Cadillac Place) in Detroit and transferring troopers to nearby offices to continue patrols in the area. This is being opposed by many members of the Detroit delegation in the House. The governor and House agree on \$1 million in savings that reduces funding in the state police school bus inspection program. Schools would have to certify their own mechanics, under the plan. Four inspectors would remain with the State Police to perform random and intermittent audits.

Local firefighter funding hinges on sale of fireworks

In an effort to find funding for the Bureau of Fire Services within the Department of Energy, Labor and Economic Development (DELEG), the House is considering an idea to generate \$2.6 million in revenue by allowing the sale of fireworks that are currently illegal and using a new tax on the items to fund firefighter programs. The Bureau of Fire Services includes firefighter inspection and training services under the Fire Fighters Training Council and Fire Protection Grants for local governments that provide fire protection and emergency services to state universities and state prisons in their communities.

The governor's recommendation for Bureau of Fire Services within the DELEG budget (HB 5884) was built entirely on fee increases for inspections of schools and hospitals established under HB 4026 as it eliminates all general fund dollars for the program. The House Appropriations plan differs greatly by using the sale of fireworks that are currently illegal, but still has firefighters uneasy about secure funding. Firefighters are not enamored with the idea of lifting the current ban on fireworks, but know they need to support funding for the programs. The legislation would limit the new fireworks sales to bricks and mortar businesses, so the dealers who invade the state in June with their tents and tables are not thrilled with the proposal either. ■

New PILT process for local governments

Legislation approved by the Legislature in March and poised to become law will change the process on how local governments will submit statements for payments-in-lieu-of-taxes (PILT) reimbursements on state-owned land. The legislation, which was presented to the governor on March 15 for her signature, also includes much-needed timelines for the state to send payments to local governments each year. For years, local governments have often had to wait until May or June to receive PILT payments as current statutes provide no specific timelines for payments from the state.

HB 5645, sponsored by Rep. Fred Durhal Jr. (D-Detroit), originally intended to implement the 12 percent cut in PILT payments approved for the current budget year, was substituted in the Senate with an S-2 version to also impose long-overdue deadlines and a change in where local governments are to send PILT statements. The most recent changes to the bill are the product of discussions amongst the Michigan Department of Treasury, MTA and other local governments during February and March. HB 5645 also attempts to address concerns raised by Treasury that some local governments are not always submitting correct PILT statements to the state and some are not doing so in a timely manner. The bill requires the following: each local unit of government that has state-purchased land (PILT) must submit the PILT statement to the county by Dec. 1 of each year; the county must forward the PILT statements to the Michigan Department of Treasury by Dec. 15 of each year; and the state must make payments to each local unit by Feb. 14 of each year. The legislation would apply to PILT statements that would go out in Dec. 2010 and later. The bill has no impact on swamp tax property owned by the state (parcels where statements are currently not sent to the state). The most significant change for townships is that they must now send the PILT statements to the county each year by Dec. 1. ■

Proposed changes to assessment notices

Most townships are just starting to get back to normal now that the boards of review have completed their work. However, the issues of the operation of the boards are still a topic of legislation. The Senate took up legislation in March that would change the schedule for the mailing of assessment notices.

The Senate Finance Committee reported SB 395, which would change when assessment notices must be mailed to property owners. Current law requires assessment notices be mailed at least 10 days prior to the first meeting of the board of review. As introduced, SB 395 would have required the notices to be in the mail 30 days prior to the meetings of the board of review. The purpose of the change was to give property owners more time to review their assessment and perform the research necessary to make an appeal. This proposal did not stand scrutiny. Being able to compile all of the assessing records, including personal property statements from business owners, review the material and prepare the statements in less than five weeks, was bordering on the impossible.

Instead, the Senate Finance Committee amended the legislation to state that notices must be mailed at least 14 days prior to the board of review instead of 10 days. While MTA still opposed the legislation based on the ever-shrinking timeline that assessors must follow to accomplish their work, the amended legislation is much more reasonable for assessors to accomplish. ■

MTA Capitol Conference

April 21, 2010

Radisson Hotel—Downtown Lansing

Tentative Topics Include:

Government Reforms

The Value of Townships in the 21st Century

Assessing—Things Are Changing

2010 Election

Government Employee Health Care Reform

Register online: www.michigantownships.org/capitolconf.asp

If attending, you will want to arrange a meeting with your state legislators.

MTA's Capitol Conference will adjourn at 3:30 p.m., providing time for you to meet with your state legislators. Contact your senator and representative prior to the Capitol Conference to arrange for a meeting time in their office following the conference.

MTA has also invited all the legislators to the 8:30-9:15 a.m. breakfast. You may want to call and follow-up with your legislators on this as well.



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Legislative package would require school elections to move off May date



In mid-March, the Senate Education Committee reported a package of bills (SBs 751-756) that would alter when school district elections are held. The legislative package is an effort to move school board elections off the May election date, which tends to be costly, low-turnout elections. The bi-partisan

package, introduced by Sens. Cameron Brown (R-Fawn River Twp.), Mickey Switalski (D-Roseville) and Roger Kahn (R-Saginaw Chtr. Twp.), would require school district elections to move from May to either one of three options: the August even-year election, the November odd-year election, or the November even-year election.

In order for school districts to utilize the odd-year November election date, two conditions would have to be met. There would need to be at least one city that is located either wholly or partly in the school district that conducts their election at that time. In addition, that city or combination of cities would need to comprise more than 50 percent of the registered electors who are eligible to vote in the school district election. The thought behind this concept is to piggyback school district elections onto the odd-year November election date where local elections are already occurring, thereby saving costs for school districts. The legislative package would also allow those school districts already holding their school board elections on the odd-year November election date to continue to do so if the school board passes a resolution before March 31, 2011, regardless of city election stipulation.

Also under the legislation, school districts currently holding their elections in May would need to adopt a resolution at a public hearing before March 31, 2011, to hold its regular election on one of the three dates mentioned above. If a school board fails to adopt a resolution prior to March 31, 2011, that school district election would automatically fall to the August even-year election date.

The legislative package would not allow a school district to change their election date after March 30, 2011. In addition, school districts would not be able to hold elections annually, but their elections would have to be held every other year.

Furthermore, the legislative package would eliminate the "floater" school election date for millage elections that was previously established under election consolidation. The original idea behind this concept was to allow a school district to hold a special election to borrow money, increase a millage or establish a bond if an initiative petition signed by the required number of electors is filed with the county clerk. Under the election consolidation package, such

an election could not be held within 30 days before or 35 days after a regular election date and could only be held once per year.

The new requirements contained in the legislation would apply after March 31, 2011, if enacted into law. The package could be considered on the Senate floor at any time and would then need to be passed by the House before going to the governor. While this legislative package is in its early stages, it is conceivable that it could become law as the House has passed similar legislation in the past and legislators in Lansing are seriously looking at reforms, especially at the local level, that can save taxpayer dollars. ■

President Obama signs employment legislation into law

In mid-March, President Barack Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act to help put Americans back to work. The legislation is likely the first of several job creation measures that Congress is expected to take up in the coming weeks and months.

The HIRE Act contains a number of things to promote employment throughout the nation. Specifically, it provides a tax credit to companies that add new workers after Feb. 3, 2010, and before Jan. 1, 2011, by amending the Internal Revenue Code to exempt for profit and nonprofit employers, including public institutions of higher education, from Social Security taxes in 2010 for new employees. It also allows for an increase in the general business tax credit for the retention of such employees for at least one year.

The HIRE Act also includes funding for various highway programs by authorizing appropriations from the Highway Trust Fund for the rest of Fiscal Year 2010 and for the first quarter for Fiscal Year 2011 (Oct. 1, 2010, through Dec. 31, 2010). The funding will be provided for federal-aid highway, surface transportation research and transportation planning programs under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Under the HIRE Act, funding levels will be at the same rate as those for Fiscal Year 2009 and a rate of one quarter of FY 2009 funding for the first three months of Fiscal Year 2011. Additional funding will be made available for such programs as the National Traffic Safety Administration and federal transit programs. The transportation funding measure is intended to help provide important public infrastructure and keep construction workers on the job.

The multi-year transportation funding program (currently SAFETEA-LU) was not reauthorized last year due to other priorities (i.e. health care reform) by the Obama administration and Congress. The Hire Act continues federal transportation funding through the end of the 2010 calendar year until a more comprehensive federal transportation funding program can be enacted sometime in 2011. ■



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Water softener tax loophole fix



A number of years ago, the Michigan Legislature passed a law that exempted water conditioning units used in homes from the personal property tax. Effectively, the change to the law meant that companies that installed rented

water softeners in homes would not be required to pay personal property taxes on those rental units. The House is currently debating HB 5490, which would eliminate this special treatment of water conditioning units.

The governor has pointed out this situation as one of the business tax loopholes that could generate more money for state and local operations. While this looks like an open-and-shut case of a tax advantage to certain companies, a closer look can lead to a different conclusion.

Water conditioning units are very unusual. It is one of the very few items that you may find in a home that is physically attached to the home that can be rented on a monthly basis. However, only a fairly small percentage of homeowners rent these units as compared to the vast majority who purchase their water conditioners.

When the legislation to exempt rented water conditioners was debated before the Legislature a dozen years ago, one of the key issues discussed was how assessors handled the assessment of value of the conditioning units. As it turned out, local assessors were never able to track which homes had purchased their water conditioners and which homes had rental units. As a result, the value of the water conditioner units

was blended into the values of all of the homes regardless of whether the unit was owned or rented. It was concluded by the Legislature at that time that if the homeowner was already effectively paying a property tax on the value of the water conditioning unit, it would be inappropriate to in effect tax the value twice by taxing the company that was renting the unit as well. Tax loophole or double taxation: the answer is buried in the assessment process. ■

Legislation on assessing errors and omissions nears final approval

Assessing has a human side. Because of this mistakes can be made. Take the person who was questioning what seemed to be an excessive assessment on their home. A review of their assessment sheet identified the problem: they did not own a home with 11 chimneys; they only had one. Someone had inadvertently key-stroked the wrong number into the computer program and as a result a property was over-assessed by thousands of dollars.

In 2006, the law was amended to allow the July and December boards of review to modify assessments on property when assessors and property owners found real, tangible errors in how a piece of property was assessed—such as incorrectly entering the number of chimneys for a home. However, the Legislature only gave the new law a trial run through the end of 2009.

Rep. Kate Ebli (D-Frenchtown Chtr. Twp.) introduced HB 5621 to make the ability to correct assessing records for errors and omissions a permanent fixture of the law. As you read this article, this legislation should have been signed into law by the governor. This means the July and December boards of review will be able to continue to modify assessments that contain errors in the record. ■