



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

Overview of 2018 Local Community Stabilization Authority Act (LCSA Act) Amendments

July 2018

On June 27, 2018, Governor Snyder signed into law 2018 Public Act 247 and 2018 Public Act 248. These acts make significant changes to the Local Community Stabilization Authority Act and the calculation of personal property tax (PPT) reimbursements.

The amendments to the LCSA Act make the following changes to the PPT reimbursement process:

1. Accelerate some reporting deadlines and add two new reporting requirements
2. Change the calculation of the millage rate to be used in the calculation of the PPT reimbursements
3. Change the calculation of the personal property exemption loss and eliminate the requirements to recalculate prior year taxable values
4. Change the millage rate to be used in the calculation of a Tax Increment Finance Authority's (TIFA's) PPT reimbursement
5. Make the Local Community Stabilization Authority responsible for distributing the fire protection services payments
6. Create a process for correcting PPT reimbursements
7. Allow for a one-time PPT advance for prior year underpayments of \$500,000 or more
8. Change the payment dates of the PPT reimbursements to allow for corrections to current year reimbursements, and delay the payment of qualified loss in excess of 100% until May 20
9. Change how municipalities are required to record and allocate the revenue

These changes to the PPT reimbursement process are detailed as follows:

1. Changes in Reporting Deadlines

The table below details the changes to the reporting deadlines for municipalities.

What	By	To	Former Deadline	New Deadline
Report the current year taxable value of commercial personal property and industrial personal property as of May 10 (MCL 123.1353(3))	Assessor	County Equalization Director	June 5	May 15
Report the increased value from expired tax exemptions on Form 5403 – <i>Personal Property Taxable Value for Expired Tax Exemptions</i> or Form 5429 – <i>Personal Property</i>	Assessor	Department of Treasury and County Equalization Director	June 5	May 31

What	By	To	Former Deadline	New Deadline
<i>Taxable Value for Expired/Expiring Renaissance Zones (MCL 123.1353(6))</i>				
Report the current year taxable value of commercial personal property and industrial personal property as of May 10 on the <i>Personal Property Summary Report (PPSR) (MCL 123.1353(3))</i>	County Equalization Director	Department of Treasury	June 20	May 31
Report the current year taxable value of commercial personal property and industrial personal property as of May 10 for inter-county municipalities on the <i>Personal Property Inter-County Summary Report (PPSR-IC) (MCL 123.1353(3))</i>	County Equalization Director	Department of Treasury	June 20	June 7
Option to report the current year debt millage levied for obligations approved or incurred before January 1, 2015 on Form 5451 – <i>Debt Millage Rate for Personal Property Tax Reimbursement to School District or Intermediate School District (ISD) (MCL 123.1353(4))</i>	School District and Intermediate School District	Department of Treasury	August 15	August 1
New Reporting Requirement: Report the current year hold harmless millage rate levied or to be levied on Form 5609 – <i>Hold Harmless Millage Rate for Personal Property Tax Reimbursement (MCL 123.1353(4))</i>	School District	Department of Treasury	N/A	August 1
New Reporting Requirement: For millage that is not general operating millage and is dedicated partially for the cost of essential services, report the portion of the millage rate that is dedicated for the cost of essential services on Form 5608 – <i>Portion of Essential Services Millage Rate Dedicated for the Cost of Essential Services (MCL 123.1353(7))</i>	County, City, Village, Township, and Local Authority	Department of Treasury	N/A	August 1

2. Millage Rate Eligible for Reimbursement

- a. School District and Intermediate School District (ISD) Debt Millage (MCL 123.1345(x) and MCL 123.1353(4))

Beginning for 2018, a school district or ISD will have two options for determining the qualified school debt millage rate to be used in the calculation of the school debt loss reimbursement.

For calendar years 2018 and 2019, the school district or ISD will have the option to be reimbursed for the current year debt millage rate levied for the payment of principal and interest of obligations approved by the electors before January 1, 2015 or obligations pledging the unlimited taxing power that were incurred before January 1, 2015. For calendar years after 2019, the school district or ISD will have the option to be reimbursed for the current year debt millage rate levied for the payment of principal and interest of obligations approved by the electors before January 1, 2013 or obligations pledging the unlimited taxing power that were incurred before January 1, 2013. This option must be elected annually by filing Form 5451 on or before August 1.

If a school district or ISD fails to file Form 5451 by August 1 or if the school district or ISD does not elect to use the current year debt millage rate levied for obligations approved or incurred before January 1, 2015 or January 1, 2013, as applicable, then its school debt loss reimbursement will be calculated using the lesser of the highest total of all debt millage rates levied in 2012 through 2014 or the total of all debt millage rates levied in the prior year.

If a school district or ISD fails to submit the Form 5451 or elects to use the current year levy of certain obligations, then its debt millage rate will be calculated by the Department of Treasury for that year and all future years by using the lesser of the highest total of all debt millage rates levied in 2012 through 2014 or the total of all debt millage rates levied in the prior year.

- b. School District Hold Harmless Millage (MCL 123.1353(4))

Beginning for 2018, a school district must report the current year hold harmless millage rate levied or to be levied in the current year. The millage rate must be reported annually on or before August 1.

- c. School District Other Millages (MCL 123.1353(5)(c))

Beginning for 2018, for school district millage other than debt millage and hold harmless millage, the Department of Treasury will calculate the millage rate eligible for reimbursement as the lesser of the highest individual millage rate levied in 2012 through 2014, or the individual millage rate levied in the prior year.

- d. Intermediate School District and Other Municipalities Millage (MCL 123.1353(5)(b))

Beginning for 2018, for a municipality that is not a school district or tax increment finance authority, reimbursement will be based on each individual millage rate levied in the prior year, unless the total millage rate levied in the prior year exceeds the eligible millage cap. The eligible millage cap is the highest total millage levied in 2012 through 2014. If municipality's total

millage rate levied in the prior year exceeds the eligible millage cap, then each individual millage rate levied in the prior year will be prorated downward so the total millage rate reimbursed equals the eligible millage cap.

3. Changes to PPT Reimbursement Calculations

a. Calculation of Personal Property Exemption Loss (MCL 123.1345(t)(i))

Beginning for 2018, for a municipality that is not a school district, ISD, or TIFA, the calculation of the personal property exemption loss will only subtract a small taxpayer exemption loss greater than zero.

This amendment will impact the PPT reimbursement calculations for municipalities with an increase in personal property taxable values from 2013 to 2014 and 2013 to 2015.

b. Recalculation of Prior Year Taxable Values (MCL 123.1345(e), MCL 123.1345(o), MCL 123.1345(t), MCL 123.1345(z))

Beginning for 2018, prior year commercial and industrial personal property taxable values will only be modified for municipality boundary changes and to exclude personal property that at any time after 2012 was classified in the municipality where it is currently located as real property or utility personal property.

The law no longer requires the Department of Treasury to recalculate prior year commercial and industrial personal property taxable values based on taxable values reported by the County Treasurer to the Michigan Department of Education.

c. Calculation of PPT Reimbursement Based on the Acquisition Cost of Eligible Personal Property (MCL 123.1357(4)(b))

The amendments delay the calculation of PPT reimbursements based on the acquisition cost of eligible personal property for two years, until calendar year 2021.

d. Calculation of Qualified Loss Reimbursement (MCL 123.1357(4)(c))

Beginning for 2018, a municipality will receive a reimbursement for 100% of the calculated qualified loss in October or February, as applicable.

e. Calculation of Prorated Reimbursement (MCL 123.1357(4)(e))

The remaining balance of the local community stabilization share fund revenue for the calendar year will be distributed to counties, townships, villages, cities, and community colleges based on each municipality's share of the total reimbursement based on the acquisition cost of eligible personal property and qualified loss. The prorated reimbursement will be delayed and reimbursed in May to allow for errors in the current year PPT reimbursement calculations to be identified and for corrections to be made during the same processing period.

4. Changes to Tax Increment Finance Authority (TIFA) PPT Reimbursement Calculations (MCL 123.1356a)

Beginning in 2018, the millage rates used to calculate reimbursement for personal property tax increment finance loss will change. Prior to 2018, the lowest rate levied between 2012 and the immediately preceding year for each individual millage was used. Now, the highest aggregate rate among years 2012 to 2014 for each taxing jurisdiction will be calculated as the “eligible millage cap”. The eligible millage cap is then compared to the immediately preceding year’s aggregate millage rate (for calendar year 2018, that is the 2017 millage rates). If the aggregate 2017 rate is lower than the eligible millage cap, the reimbursements will be calculated using the individual 2017 rates. If the aggregate 2017 rate is higher than the eligible millage cap, the individual 2017 rates will be prorated so that the aggregate 2017 rate is equal to the eligible millage cap, and reimbursement will be calculated using the individual prorated 2017 rates. Since all TIFAs have submitted their Form 5176/5176BR/5176ICV for 2018 (the deadline was June 15, 2018), the reimbursement rate adjustments will be calculated by Treasury staff. No TIFA has to re-file. After completion of the adjustments, in October Treasury will e-mail the completed alternate form to each TIFA that filed a 2018 Form 5176/5176Br/5176ICV at the e-mail address they provided on the claim form.

5. Fire Protection Services Payments (MCL 123.1357(4)(d))

Beginning in 2018, fire protection services payments will be distributed to municipalities by the Local Community Stabilization Authority by November 30.

Municipalities will continue to complete and submit to the Department of Licensing and Regulatory Affairs (LARA) the required questionnaire to qualify for fire protection services payments. LARA will calculate the distributions to municipalities and shall certify the payment amounts, totaling \$13,600,000, to the Department of Treasury.

6. General PPT Reimbursement Correction Process (MCL 123.1358(4) and MCL 123.1358(5))

The amendments create a process for correcting errors in the 2016 PPT adjustment payments, 2017 PPT reimbursements, and future PPT reimbursements. Municipalities will be responsible for notifying the Department of Treasury of reporting errors or calculation errors made by the Department of Treasury no later than March 31 of the year following the calendar year for which the payments are calculated. In addition, a municipality must provide substantiating documentation to support an adjustment to the calculated reimbursement amount. Upon the Department of Treasury’s review of the substantiating documentation and verification of the errors, the Department shall calculate an underpayment or overpayment amount.

Underpayment amounts will be distributed by the Local Community Stabilization Authority by May 20. An overpayment amount exceeding \$10,000 will be billed to the municipality by the Local Community Stabilization Authority for 2018 and subsequent reimbursements. The municipality will repay the amount of the overpayment exceeding \$10,000 in three equal annual amounts (unless repaid sooner). If the municipality fails to repay the amount of the overpayment in excess of \$10,000, the Local Community Stabilization Authority will add interest to the entire amount of the original overpayment from the date of the notice of overpayment and may reduce future PPT reimbursements to recover the outstanding balance of the overpayment and interest.

If the State Treasurer determines an overpayment occurred because the municipality was at fault and acted in bad faith, then the calculated amount of the overpayment, without any adjustment, plus interest will be due within 30 days following the notice of the overpayment. If the municipality fails to repay the amount of the overpayment and interest, the Local Community Stabilization Authority shall reduce future PPT reimbursements to recover the outstanding balance of the overpayment and interest.

The table below details the deadlines for the general PPT reimbursement correction process.

What	By	To	Deadline
Report the correction of the calculation of the current year millage rate to be used in the PPT reimbursement calculation on Form 5613 – <i>Millage Rate Correction for Personal Property Tax Reimbursement Calculations</i> (MCL 123.1358(4))	Municipality	Department of Treasury	August 1 (each year)
Report the correction of the 2013, 2014, and 2015 commercial and industrial personal property taxable values, as reported by the County Equalization Director in calendar year 2015 on Form 5612 – <i>Correction of 2013, 2014, and 2015 Taxable Values for Personal Property Tax Reimbursement Calculations</i> (MCL 123.1358(5)(a))	Municipality	County Equalization Director	August 1, 2018
	County Equalization Director	Department of Treasury	August 13, 2018
Report the correction of the 2013 and 2016 commercial and industrial personal property taxable values, as reported by the County Equalization Director in calendar year 2016 on Form TBD (MCL 123.1358(5)(b))	Municipality	County Equalization Director	February 28, 2019
	County Equalization Director	Department of Treasury	March 29, 2019
Report the correction of the 2013, 2014, 2015, and 2016 commercial and industrial personal property taxable values, as of July 10, 2017, that were reported by the County Treasurer to the Michigan Department of Education on Form TBD (MCL 123.1358(5)(c))	Municipality	County Treasurer	February 28, 2019
	County Treasurer	Department of Treasury	March 29, 2019
Report the correction of the 2013 and 2017 commercial and industrial personal property taxable values, as reported by the County Equalization Director in calendar year 2017 on Form TBD (MCL 123.1358(5)(d))	Municipality	County Equalization Director	February 28, 2019
	County Equalization Director	Department of Treasury	March 29, 2019
Report the correction of the 2018 and subsequent years’ commercial and industrial personal property taxable values, as reported by the County Equalization Director by May 31 of each	Municipality	County Equalization Director	February 28 (each following year)
	County Equalization Director	Department of Treasury	March 31 (each following year)

What	By	To	Deadline
year on Form TBD (MCL 123.1358(5)(e))	Director		year)
Report any other calculation corrections for the 2016 PPT Adjustment Payments and 2017 PPT Reimbursements on Form TBD (MCL 123.1358(4))	Municipality	Department of Treasury	March 31, 2019
Report any other calculation corrections for the current year PPT reimbursement on Form TBD (MCL 123.1358(4))	Municipality	Department of Treasury	March 31 (each following year)

7. One-Time Advance for a 2017 PPT Reimbursement Underpayment of \$500,000 or more (MCL 123.1357(6))

The amendments allow for a one-time payment advance to municipalities that were underpaid by \$500,000 or more through the 2016 PPT adjustment payments or 2017 PPT reimbursements. In order to receive an advance, a municipality must notify the Department of Treasury of reporting errors or calculation errors made by the Department of Treasury no later than August 1, 2018 by completing Form 5614 – *Request for a 2018 Advance Personal Property Tax Reimbursement*. In addition, the municipality must provide substantiating documentation to support an adjustment to the calculated reimbursement amount. Upon the Department of Treasury’s review of the substantiating documentation and verification of the errors, the Department shall calculate an underpayment or overpayment amount. Underpayment amounts will be distributed by the Local Community Stabilization Authority by October 20.

For municipalities that fail to meet the requirements of the August 1, 2018 deadline, the general PPT reimbursement correction process can be followed.

The table below details the deadlines for the PPT reimbursement prior year advance correction process.

What	By	To	Deadline
Correction of the calculation of a prior year millage rate to be used in the PPT reimbursement calculation (MCL 123.1357(6))	Municipality	Department of Treasury	August 1, 2018
Correction of the 2013, 2014, and 2015 commercial and industrial personal property taxable values, as reported by the County Equalization Director in calendar year 2015 (MCL 123.1358(5)(a))	Municipality	Department of Treasury	August 1, 2018
Correction of the 2013 and 2016 commercial and industrial personal property taxable values, as reported by the County Equalization Director in calendar year 2016 (MCL 123.1358(5)(b))	Municipality	Department of Treasury	August 1, 2018
Correction of the 2013, 2014, 2015, and 2016 commercial and industrial personal property taxable values, as of July 10, 2017, that were reported by the County	Municipality	Department of Treasury	August 1, 2018

What	By	To	Deadline
Treasurer to the Michigan Department of Education (MCL 123.1358(5)(c))			
Correction of the 2013 and 2017 commercial and industrial personal property taxable values, as reported by the County Equalization Director in calendar year 2017 (MCL 123.1358(5)(d))	Municipality	Department of Treasury	August 1, 2018
Any other calculation corrections for the 2016 PPT Adjustment Payments and 2017 PPT Reimbursements (MCL 123.1357(6))	Municipality	Department of Treasury	August 1, 2018

8. Timing of PPT Reimbursements (MCL 123.1357(8))

Beginning in 2018, PPT reimbursement payment dates are different from prior years.

- a. School Districts, Intermediate School Districts (ISDs), and Tax Increment Finance Authorities (TIFAs)

For a school district, ISD, or TIFA that previously received payments in November, reimbursements will be issued October 20 of each year. For a school district and ISD that previously received payments in February, reimbursements will continue to be issued February 20 of each year. Corrections for the underpayment of a 2017 PPT reimbursement or a current year reimbursement will be issued May 20 of each year.

- b. Municipalities, excluding School Districts, ISDs, and TIFAs

For a municipality that previously received payments in November, reimbursements for essential services, small taxpayer exemption loss, and qualified loss up to 100% will be issued October 20 of each year. For municipalities that previously received payments in February, reimbursements for essential services, small taxpayer exemption loss, and qualified loss up to 100% will continue to be issued February 20 of each year. Corrections for the underpayment of a 2017 PPT reimbursement or a current year reimbursement will be issued May 20 of each year, as will the portion of qualified loss exceeding 100% reimbursement.

The table below provides a schedule of payment dates for all municipalities.

Description of PPT Reimbursement	Date of Reimbursement
Advance for 2017 underpayment of \$500,000 or more	October 20, 2018
Payment of calculated current year PPT reimbursements up to 100% of the calculated losses for County allocated millage, to municipalities that do not levy millage 100% in December, and TIFAs	October 20 (each year)
Payment of calculated current year PPT reimbursements up to 100% of the calculated losses for Townships, County extra-voted millage, and to municipalities that levy millage 100% in December	February 20 (each following year)
Payment of 2017 underpayment that was not advanced, current year underpayment, and prorated qualified loss in excess of 100%	May 20 (each following year)

9. Changes to Requirements to Restrict Revenues (MCL 123.1357(4)(a)(iv), MCL 123.1357(7), MCL 123.1361(2))

Prior to the amendments, the LCSA Act only required a municipality to utilize essential service reimbursements to pay for the cost of essential services and to use the amount of reimbursement received for debt millage to pay for debt.

Beginning in 2018, the amendments also require each municipality to allocate and record the payments received, up to 100% reimbursement, in the same manner as the millage levied. Additionally, for county road millage levied under Section 20b of 1909 PA 283, MCL 224.20b, the cities, villages, and county road commission shall agree by March 31 to a formula to allocate a portion of the PPT reimbursement to each city and village; otherwise, the Department of Treasury shall determine a formula for allocating the payments.

PPT reimbursements to a municipality participating in an intergovernmental conditional transfer by contract under 1984 PA 425, MCL 124.21 to 124.30, or any other interlocal agreement that provides for millage-based sharing of revenue, shall allocate a portion of the PPT reimbursement between the parties based on a proportionate share of the payment as it is attributable to the area subject to the agreement.