

# MME 2023 Summer Workshop



Michigan  
Municipal  
Executives

Michigan Department of Treasury  
Bureau of Local Government and School Services



# JESSICA THOMAS

## Bureau Director

### Bureau of Local Government and School Services

Jessica comes to the Bureau with 20 years' experience in the areas of accounting, finance and process improvements with a special focus on governmental entities. She is a former elected official, has served as a keynote speaker, panelist, and panel moderator at industry events, as well as participated in projects surrounding both causes and cures of fiscal instability and served the State of Michigan as an appointee to two Receivership Transition Advisory Boards. Jessica has a BBA in Economics and Management from Albion College with a concentration on Accounting and Religion.

As Director, Jessica oversees the operations responsible for the administration and enforcement of state laws that implement provisions of the Michigan Constitution requiring taxation and person property, a uniform system of accounting and auditing for units of local government, and the preservation of the credit of the state.

Since joining the Department of Treasury, Jessica has assisted with the MI Classroom Heroes Grant Programs, Continuity of Learning Plan Initiative, MI Safe School Roadmap Team, Benton Harbor Water Service Line Replacement Project, and the Energy Transition Impact Project. She has served as the Bureau's "Continuous Improvement" project team with a focus on implementing the "Trusted Partner Resource Model" .



# SEAN MULCHAY

## Central Office Operations Manager

### Property Services Division

Sean Mulchay is the Central Office Operations Manager within the Property Services Division. As an administrative manager, Sean oversees staff providing technical assistance and policy recommendations relating to real and personal property assessment practices, he coordinates work activities associated with the annual production of state-assessed tax rolls and petitions filed with the State Tax Commission related to omitted or incorrectly reported property under MCL 211.154.

Prior to joining Treasury, Sean worked for a tax service firm dedicated to business taxes and offering a suite of federal, state, local and international tax services.



# NICHOLAS BROUSSEAU

## Administrative Manager

### Community Engagement & Finance Division

Nick is a manager with the Bureau of Local Government and School Services of the Michigan Department of Treasury. He oversees in the Analytics and Outreach section, where the section assists the bureau with various financial and operational analyses to offer targeted resources, as well as Statewide training, tools, and resources for local governments. Nick has worked extensively in implementing the Protecting Local Government Retirement and Benefits Act (Public Act 202 of 2017) and assisting local governments with retirement legacy debt. Nick lives in Lansing with his wife Emily, daughter Rosalind, dog Monty, and cats Seymour and Siobhan. Nick has a bachelor's degree from the Eli Broad College of Business at Michigan State University.



# EVAH COLE

## Division Administrator

### Revenue Sharing & Grants Division

Evah Cole is the Division Administrator for the Revenue Sharing and Grants Division in the State of Michigan's Office of Revenue & Tax Analysis (ORTA). She administers the Revenue Sharing and Grants Section and Personal Property Tax (PPT) Reimbursement Section.

Evah started her state government service in 1987 in the Department of Treasury's Cash and Debt Management Division, became a budget analyst in the Department of Environmental Quality in August 1996 and then in 2002 moved back to Treasury to administer the State Revenue Sharing Programs.



# Changes to the Small Business Taxpayer Exemption

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# Overview of Changes to the Small Business Taxpayer Exemption

- Small Business Personal Property Exemption
- Increase exemption from less than \$80,000 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 Business Taxpayer Exemption Increase: Local Reimbursement Funding

- Current Funding – Public Act 132 of 2021
  - \$75 million appropriated
  - One-year funding
  - Funding to offset small business 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 9o of the general property tax act, 1893 PA 206, MCL 211.9o, that are enacted on or after December 14, 2021.

- First distribution Spring 2024



## Small Business 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 Business Taxpayer Exemption Increase: Local Reimbursement Funding

- Legislation to Address Funding
  - HB 4553, HB 4554, and SB 0331
  - Introduced in May 2023
  - Same as SB 1060, SB 1061, SB 1062



# Qualified Heavy Equipment Rental Personal Property (QHERPP)

Public Act 35 of 2022

Public Act 46 of 2022

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## Overview of QHERPP

- 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

# Qualified Heavy Equipment Rental Personal Property (QHERPP) 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

- % 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 business 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:  $2023 \text{ Capped Value} = (2022 \text{ Taxable Value} - \text{LOSSES}) \times 1.05 + \text{ADDITIONS}$
- Uncapping event resets Taxable Value



# **Bureau Of Local Government and School Services Grant Programs**

**Protecting MI Pensions**

**Fire Equipment Grant Program**

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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.

## Protecting MI Pension Grant Process:

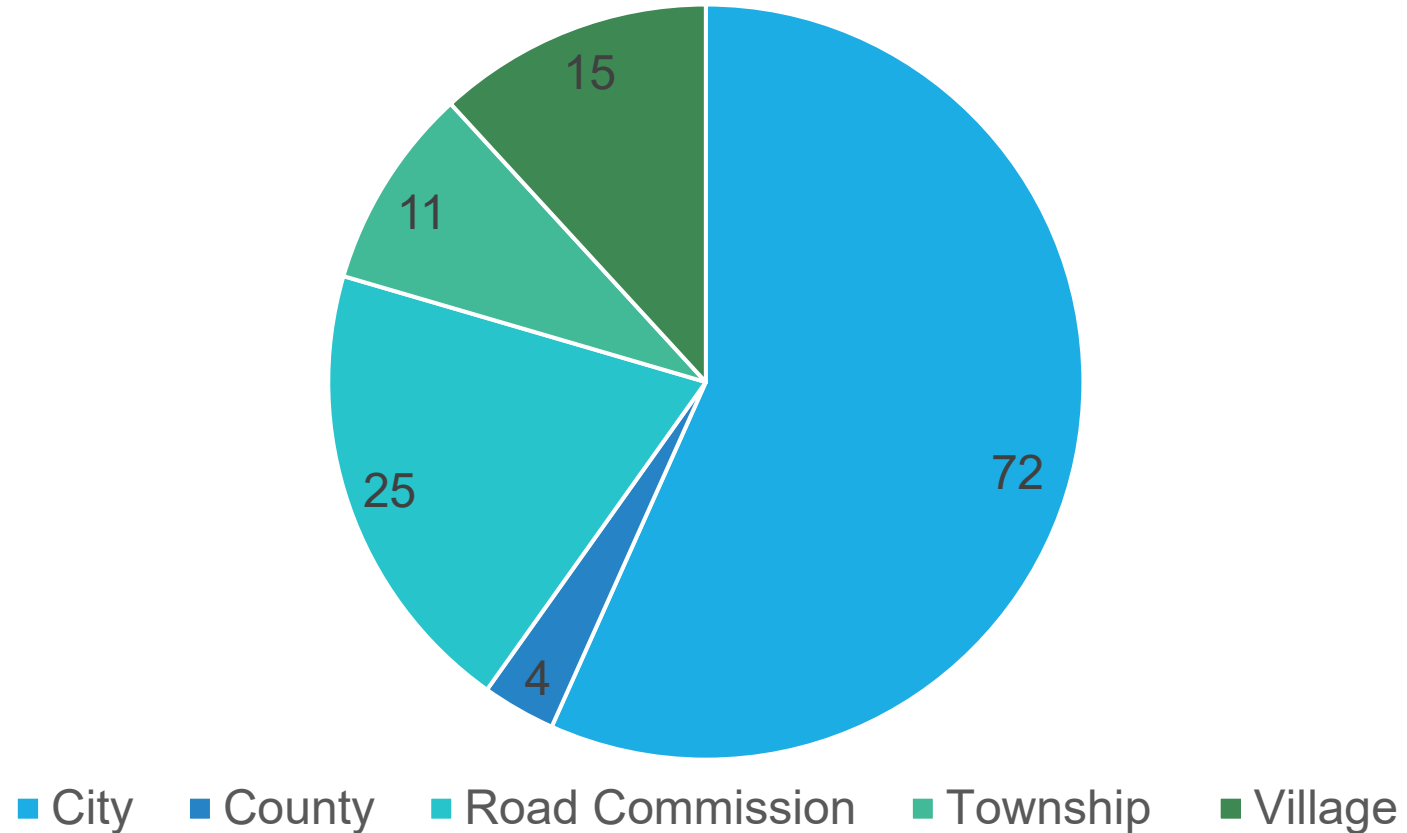
- Preliminary List of Qualified Retirement Systems
- Grant Qualifications
- Grant Timeline
- Forms and Applications
- Payment Distribution Process
- Reporting Requirements
- Guidance

## Key Dates:

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

## Application Data:

Applications Submitted: Grant Award Claims submitted for 129 local governments.



## Overview:

- The MI Fire Equipment Grant has been established to provide funding for the purchase of fire equipment for our part time, on call or volunteer firefighters. Under Fiscal Year 2023-23 Budget, the Michigan Department Treasury was appropriated \$12 million to establish and operate a grant program to qualified local units of government. Grant awards are not to exceed \$10,000 for eligible Departments and will be administered in a similar form and manner as previous grant programs with stakeholder engagement.
  - Grant funds will be made to eligible fire departments in cities, villages, townships, tribal governments or an authority or commission established by a county, village, city of township by resolution, motion, or charter.
  - Grant awards will be made to qualified local governments with fire departments that are “predominately on-call, part-time, or volunteer.” Applications should be for grants for purchasing “fire gear for fire fighters.” Applicants should include detailed information to show the application is for the equipment described.



## Grant Timeline

Date	Description
May 25, 2023, at 2:00pm	MI Fire Equipment Grant Webinar
May 26, 2023	Website and Grant Program Application Live
May 26, 2023 - July 10, 2023	Submission of Applications
July 10, 2023	Application Submission Deadline
July 10, 2023 - August 10, 2023	Application Review Period
Early August 2023	Grant Notification Period
As Early as August 10, 2023	Disburse Funds to Qualified Local Units



**FY 2024 Revenue Sharing Programs**

**City, Village, and Township  
Revenue Sharing (CVTRS)**

**&**

**County Revenue Sharing and  
Incentive Program**

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## Change in Reporting Requirements – FY 2024

- Required Documents
  - Debt Service Report
  - Projected Budget Report
  - Certification Form (Form 4886)
- No Longer Required Documents
  - Performance Dashboard
  - Citizens Guide

## City, Village and Township Revenue Sharing Funding Changes – FY 2024

- 4% Increase Based on FY 2023 Ongoing Funding
- 1% Increase Based on FY 2023 Ongoing Funding
  - Certify ARPA - CLFRF (Entitlement Units and Non-entitlement Units) funds obligated, expended or declined by December 31, 2023
  - Certification due to Treasury by March 30, 2024
  - Certification form coming soon
- 2% Increase Based on FY 2023 Ongoing Funding
  - Funding for Public Safety Initiatives only
  - Public Safety Initiatives include; recruitment or retention efforts; training programs; new equipment purchases; equipment replacements; or capital improvement to public safety buildings or structures

# County Revenue Sharing

## Funding Changes – FY 2024

- 116.459281856% of Full Funding
- 1% Increase Based on FY 2023 Ongoing Funding
  - Certify ARPA - CLFRF funds obligated, expended or declined by December 31, 2023
  - Certification due to Treasury by March 30, 2024
  - Certification form coming soon
- 2% Increase Based on FY 2023 Ongoing Funding
  - Funding for Public Safety Initiatives only
  - Public Safety Initiatives include; recruitment or retention efforts; training programs; new equipment purchases; equipment replacements; or capital improvement to public safety buildings or structures