## Fiscal Estimate - 2005 Session

Original Updated	Corrected Supplemental						
LRB Number <b>05-3496/1</b>	Introduction Number SB-291						
Subject							
Settlement of personal property taxes on improvements to leased land							
Fiscal Effect							
Appropriations Rever Decrease Existing Decre Appropriations Rever Create New Appropriations	ase Existing absorb within agency's budget						
Permissive Mandatory Permis	MITOWNS MINISTER MICH.						
Fund Sources Affected  Affected Ch. 20 Appropriations  GPR FED PRO PRS SEG SEGS							
Agency/Prepared By	Authorized Signature Date						
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## Fiscal Estimate Narratives DOR 8/26/2005

LRB Number	05-3496/1	Introduction Number	SB-291	Estimate Type	Original	
Subject						
Settlement of personal property taxes on improvements to leased land						

## **Assumptions Used in Arriving at Fiscal Estimate**

Under current law, property taxes levied on real property and personal property taxes on improvements located on leased land are payable in full on or before January 31 of each year or are payable in two equal installments – with the first installment due on or before January 31 and the second installment due on or before July 31. Alternatively, current law allows a municipality, by ordinance, to collect real property taxes and property taxes on improvements located on leased land in three or more installments. During the February settlement, the taxation district pays each taxing jurisdiction its proportionate share of collected real property taxes. All personal property taxes, however, including taxes on improvements on leased land, must be forwarded to the taxing jurisdictions even though some portion is not yet collected due to installment payments.

Under the bill, during the February settlement, the taxation district will pay each taxing jurisdiction only its proportionate share of personal property taxes on leased land collected by the district as of January 31.

The Department of Revenue estimates that about \$3 million of property taxes on improvements on leased land are postponed for the second installment. Under the bill, municipalities would not settle for this amount with taxing jurisdictions during the February settlement, but would forward tax rolls to counties. Consequentially, the bill would result in minor cash flow changes in municipalities, counties, and other local governments where the tax base includes improvements on leased land.

The bill has no state fiscal effect.

**Long-Range Fiscal Implications**