

**MICHIGAN DEPARTMENT OF TREASURY**  
**Public Act 268 of 2016, Section 221 - Reporting Requirement**

Each department and agency shall report no later than April 1 on each specific policy change made to implement a public act affecting the department that took effect during the prior calendar year to the senate and house of representatives standing committees on appropriations subcommittees of general government, the joint committee on administrative rules, and the senate and house fiscal agencies.

**BUREAU OF TAX PROCESSING**

**Business Taxes Division**

**PA 7 and 8 of 2016**

Senate Bills 232 and 233: Sales and Use tax modify definition of auto dealer

PA 7 and 8 of 2016 amend the General Sales Tax Act and the Use Tax Act, which impose a tax of 6% on the sales price or purchase price of nonexempt personal property and services. Legislation was enacted in 2013 to exclude from the sales and use taxes the value of a trade-in on a motor vehicle, recreational vehicle (RV), or titled watercraft, subject to a limit on the amount of credit allowed for a traded-in vehicle or RV over a phase-in period. However the original legislation only applied to purchases made in Michigan. There was concern that this might be a violation of the Commerce Clause of the United States Constitution. For these, the public acts provide the exemption for in state and out-of-state purchases.

Also, under both acts, the scheduled annual increase in the dollar amount allowed for a trade-in, which has been limited to take place "unless section 105d of the social welfare act...is repealed", was deleted. The acts deleted the quoted language. (Section 105d provides for the expansion of the Medicaid program pursuant to the Affordable Care Act, and requires the State to seek a Federal waiver permitting the State's modifications to the program that accompany the waiver.)

The public act is retroactive back to December 15, 2013.

Tax Processing Bureau staff required additional training to accommodate this change. Treasury will complete this work within existing resources.

**PA 158 of 2016**

HB 5131: Eliminate provisions related to flow through withholding.

PA 158 amends the Income Tax Act to discontinue requirements that flow-through entities withhold tax, revised the description of income that must be withheld, and, with respect to the individual income tax, amends the definition of "income".

Part 3 of the act prescribes withholding requirements for flow-through entities, employers, and others. A flow-through entity (e.g., a partnership, S corporation, or limited liability company) is required to withhold a tax from members' distributive share of income, according to calculations set forth in the act.

Part 1 of the act provides for the individual income tax and defines "taxpayer" as any person subject to taxes imposed by part 1, any employer required to withhold taxes on salaries and wages, or any flow-through entity required to withhold taxes on a nonresident member's share of income available for distribution. The act, instead, defines "taxpayer" as any person subject to the taxes imposed by part 1 or subject to the withholding requirements under part 3.

The public act took effect on July 1, 2016.

Treasury was required to give notice to its partners by January 2017 that they will resume filing quarterly estimated coupons. No changes were needed to forms. Current IT systems can accommodate the forms required in this bill. Treasury continues to support the flow-through system with existing resources.

### **PA 281 of 2016**

House Bill 4209: Medical Marihuana Implementation.

Public Act 281 deals with the production, transporting, and retail sale of medical marihuana.

It establishes a licensing and regulatory framework for medical marihuana provisioning centers (i.e., retail sellers to patients and caregivers), growers, processors, secure transporters, and safety compliance facilities.

A **tax of 3%** is imposed on the gross retail income of each provisioning center (retail seller/dispensary). Retail sales will presumably be subject to the **state's 6% general sales tax**, although no mention of this is made in the legislation. These taxes do not apply to registered primary caregivers or qualified registered patients; as noted earlier, they are not required to be licensed under the new regulatory system.

This public act took effect on effect December 20, 2016. However, applications for licenses could not be made for 360 days after that date (December 15, 2017).

Treasury will have to implement a new IT system to allow for collection of the marihuana excise tax. The total cost of this effort is estimated at about \$2.5 million dollars. In addition, 6 additional FTEs and an additional \$675,000 are needed for the enforcement and collection of this tax which has been submitted as an FY18 funding request. These positions will be utilized in our tax processing, audit and collections areas. Treasury will also administer grants payments beginning in FY18 for the medical marihuana excise fund, which, at this time, are anticipated to be accommodated within existing resources.

### **PAs 265, 266 and 267 of 2016**

House Bills 5189-5191: Amend provisions related to processing of farmland preservation tax credits.

These public acts:

Amend Part 361 (Farmland and Open Space Preservation) of the Natural Resources and Environmental Protection Act related to the Department of Agriculture's fee structure and application process.

Amend the Income Tax Act to do the following:

- Require an amount equal to 3.5% of the average amount of farmland tax credits claimed in the preceding three State fiscal years to be deposited into the Agricultural Preservation Fund.
- Allow a taxpayer to file a farmland preservation tax credit claim electronically.

Amend the Revenue Act to do the following:

- Apply certain interest calculations to farmland tax credit refunds, beginning January 1, 2017.
- Require the Department of Treasury to notify a taxpayer of the status of a return if the State did not pay or refund a farmland preservation tax credit within 45 days of the date the return was received.

Treasury has to address specific changes in our procedures to accommodate this change, but will do so with existing resources.

### **PA 515 and 516 of 2016**

Senate Bill 991 and House Bill 5928: Exempt core charges from Sales and Use Tax Act

Public Act 515 amends General Sales Tax Act which imposes a tax of 6% on the sales price of nonexempt personal property. Sales tax on car purchases would allow a phase in for exclusion of the trade in value of a vehicle surrendered as partial payment for the new vehicle, recreational vehicle and titled watercraft. It also eliminates the application of sales tax to the core charge attributable to a recycling fee, deposit of a disposal fee.

Treasury will accommodate any work needed with existing resources.

### **PA 503 of 2016**

Senate Bill 106: Amend cap on aggregate sales for tax exempt status for fundraising for a veteran.

Public Act 503 amends the General Sales Tax Act to provide a tax exemption for the sale of personal property by a veterans' organization for the purpose of raising funds for the benefit of an active duty service member or a veteran. The veterans' organization must be exempt from Federal income tax under Section 501(c)(19) of the Internal Revenue Code.

Forms and instructions were updated to accommodate this new exemption. Revenue Administrative Bulletin 1995-3 and Michigan Administrative Code R 205.140 also required updating to note this exemption. Tax Compliance Bureau updated their audit manual to reflect this change. Treasury will accommodate any work needed within existing resources.

### **PA 372 and 373 of 2016**

House Bills 5824 and 5825: Provide Exemption for County long term medical care facilities from sales and use tax.

Public Acts 372 and 373 amend the General Sales Tax Act and the Use Tax Act, respectively, to include in the term "nonprofit hospital" a freestanding building that is operated under the license held by a county long-term medical care facility, and that offers the same services as the facility, for purposes of sales and use tax exemptions for the sale of personal property that will be made a structural part of a nonprofit hospital.

Treasury will accommodate any work needed within existing resources.

### **PAs 277 and 278 of 2016**

House Bills 5457 and 5458: Clarify credit amounts that are attributable to the assigned claims plan.

Public Acts 277 and 278 amend the Michigan Business Tax (MBT) Act and the Income Tax Act (which provides the Corporate Income Tax) to disallow payments attributable to the Assigned Claims Plan from qualifying for the credit provided for payments made to the Michigan Automobile Insurance Placement Facility (MAIPF).

Instructions for forms for tax years after 2016 were required to inform taxpayers of the exclusion of the amounts attributed to the assigned claims plan. Treasury will accommodate any work needed within existing resources.

### **PA 431 and 432 of 2016**

House Bills 5889 and 5890: Provide sales and use Tax exemptions related to certain agriculture activities.

Public Acts 431 and 432 amends the current statutory provisions for sales tax on certain tangible personal property used in agriculture and aquaculture. Among other things, the exemption applies to agricultural land tile, subsurface irrigation pipe, portable grain bins, and grain drying equipment, when sold to persons engaged in an agricultural business enterprise.

Michigan Administrative Rule 205.51 was required to be updated as a result of this request. Revenue Administrative Bulletin 1991-11 also needed to be updated. Form 3520 also needed alterations to accommodate these changes. Audit staff had to provide additional training to their staff to outline the changes made by these public acts to assure they were proceeding appropriately. Audit's Other Deductions Manual required updating. Treasury will accommodate any work needed within existing resources.

## **Special Taxes Division**

### **PA 42 and 43 of 2016**

Senate Bills 472 and 473: Tobacco Product manufacturers escrow account and disclosure amendments

Public Act 42 amends Public Act 244 of 1999, which requires certain tobacco product manufacturers to deposit funds in escrow accounts, to do the following:

- Require the deposits to be made quarterly, rather than annually, according to a specific schedule.
- Require the quarterly deposits to be based upon units sold in that quarter plus an estimated inflation adjustment, and require an annual reconciliation deposit to be made.
- Require the manufacturers to certify their compliance quarterly, as well as annually.
- Allow a manufacturer to irrevocably assign to the State the manufacturer's interest in the escrow funds, and provide that the assignment applies to all funds in the account and those subsequently deposited.
- Provide for assigned escrow funds to be withdrawn by the State and deposited into the General Fund as a credit against a judgment or settlement on a released claim brought against the manufacturer by the State or a releasing party.
- Modify the definition of "units sold".

These public acts also amend the Tobacco Products Tax Act to require the Department of Treasury, upon request, to disclose to the Attorney General information relevant to the enforcement of Public Act 244 of 1999; and permit the Department and the Attorney General to disclose otherwise-confidential information under certain circumstances.

The Department had to adjust its MSA enforcement efforts in light of these changes to diligently enforce this requirement. New forms were required to establish procedures, issue guidance, and implement any necessary system enhancements as a result of the shift to quarterly escrow deposits and related certifications. Treasury will accommodate these requirements within existing resources.

### **PA 86 of 2016**

Senate Bill 476: Eliminate sunset on cap on tax levied on cigars.

Public Act 86 amends the Tobacco Products Tax Act to do the following:

- Delay to October 1, 2021, the sunset date on a provision limiting the maximum tax on a cigar to \$0.50.
- Require a retailer not licensed as an unclassified acquirer, retail importer of certain tobacco products, to post a sign relating to the payment of State taxes on cigars.

The act delays the October 1, 2016, sunset date to October 31, 2021.

Treasury will accommodate any work needed within existing resources.

## **Individual Income Tax Division**

### **PA 51 of 2016**

House Bill 4887: Individual Income Tax modify limitations on investment direction of contributions made to Michigan Education Savings Account

Public Act 51 amends the Michigan Education Savings Program Act to remove restrictions on when an account owner of a Michigan education savings account may select from different investment strategies designed by a program manager.

Treasury will accommodate any work needed within existing resources.

### **PA 180 and 181 of 2016**

House Bills 4817 and 4818: Create Junior Achievement fund income tax check off

Public Act 180 and 181 enacted the "Michigan Junior Achievement Fund Act" to do the following:

- Create the "Michigan Junior Achievement Fund" in the Department of Treasury to provide funds for donation to any Junior Achievement organization in the State.
- Require money from a proposed tax check-off to be credited to the Fund.
- Require the Department to distribute the funds to the Junior Achievement of Michigan Great Lakes organization for distribution to other Junior Achievement organizations in the State.
- Allow money in the Fund to be used as matching funds for a Federal grant if the funds were to be used for certain purposes.

Treasury will accommodate any work needed within existing resources.

### **PA 183 and 184 of 2016**

Senate Bills 428 and 429: Create American Red Cross income tax check off.

Public Act 183 and 184 enacted the "American Red Cross Michigan Fund Act" that creates a fund within the Department of Treasury to provide funds for donation to Michigan chapters of the Red Cross funded by voluntary contributions from state income tax returns beginning in 2016.

Treasury will accommodate any work needed with existing resources.

## **BUREAU of LOCAL GOVERNMENT**

### **PA 25 of 2016**

House Bill 4888: Allow assessor to maintain assessment roll electronically.

Public Act 25 amends the General Property Tax Act to allow a local tax collecting unit to use a computerized database as the assessment roll required under the Act.

Treasury will accommodate any work needed within existing resources.

### **PA 119 and 123 of 2016**

House Bills 4990 and 4994: Allow local units to enter into lease purchase agreements for energy conservation improvements.

These public acts amend provisions of various statutes that authorize local units of government to acquire energy conservation improvements allowing them to include lease purchase agreements as a potential mechanism to acquire or finance energy conservation improvements.

Treasury will accommodate any work needed within existing resources.

### **PA 144 and SB 606 of 2016**

Extend principal residence exemption to military services members residing elsewhere on deployment.

Public Act 144 amends the General Property Tax Act to allow an individual to continue to claim a principal residence exemption if he or she is deployed or stationed elsewhere for active duty as a member of the United States Armed Forces.

Treasury will accommodate any work needed within existing resources.

### **PA 169 and 2016**

SB 569: Increase amount local units may deposit in their budget stabilization fund

The act amends Public Act 30 of 1978 to increase the maximum amount of money allowed in a municipality's budget stabilization fund.

The act limits the size of a municipality's budget stabilization fund to 15% of its most recent general fund budget, as originally adopted, or 15% of the average of its five most recent general fund budgets, as amended, whichever is less. The bill would increase those percentages to 20%.

The bill would take effect 90 days after its enactment.

Treasury will accommodate any work needed within existing resources.

### **PA 124 of 2016**

House Bill 5176: Changes to Local Community Stabilization Fund Reimbursement deadlines and mechanism.

Public Act 124 amends the Local Community Stabilization Authority Act to do the following:

- Revise the calculation used to determine a city's reimbursement in 2014 and 2015 for losses of operating millage due to personal property tax exemptions.
- Revise the calculation used to determine reimbursement beginning in 2016 to a municipality that provides essential services.
- Delete a provision under which a municipality may not receive any reimbursement under the act if it has increased its millage rate without voter approval to replace debt loss that otherwise would be reimbursed under the act.
- Require a municipality's reimbursement for fiscal years 2014-15 and 2015-16 to be reduced if the municipality did not adjust its debt millage rate to reflect reimbursement for the small taxpayer exemption loss.
- Require a municipality to use its local community stabilization share revenue distribution beginning in 2016 for debt millage to pay debt.
- Revise several deadlines for the Department of Treasury to make initial and annual calculations of municipalities' losses, and for the Local Community Stabilization Authority to make distributions from the Local Community Stabilization Share Fund.

It also repeals Section 20 of the act, which requires a municipality to use local community stabilization share revenue first to replace property taxes used for the payment of principal and interest of essential services obligations incurred before 2013 pledging the municipality's taxing power that are lost due to personal property tax exemptions.

Treasury will accommodate any work needed within existing resources.

#### **PA 530 Of 2016**

House Bill 6075: Reporting and transparency requirements related to outstanding pension obligations.

The acts amends the Public Employee Retirement System Investment Act to:

- Require an investment fiduciary's summary annual report to include the actuarial assumed rate of health care inflation.
- Require an investment fiduciary, for a system other than a State unit, to submit a summary annual report to the Department of Treasury at least 30 days after publication.
- Require the Department to post an executive summary of each summary annual report, including the system's unfunded actuarial accrued liability (UAAL) for health care and pension, and submit the executive summary to the Senate and House Appropriations Committees and Fiscal Agencies.
- Require a system, other than a system for a State unit, to post an informational report outlining the steps the system could be taking to reduce its UAAL, if its actuarial accrued liability for health care or pension were not at least 60% funded; and to submit those steps to the Department.

Treasury will accommodate any work needed within existing resources.

#### **PA 173 and 174 of 2016**

Senate Bill 481 and House Bill 4578: Include school districts in recreational authorities act

Public Act 173 and 174 amends the Recreational Authorities Act to allow a school district to be a participating municipality in a recreational authority.

Treasury will accommodate any work needed within existing resources.

### **PA 518 of 2016**

Senate Bill 1009: Extend sunset on county treasurer's ability to enter into tax foreclosure agreements.

Public Act 518 amends the General Property Tax Act to allow a county treasurer, until June 30, 2019, to enter into a tax foreclosure avoidance agreement with an owner of residential property returned as delinquent or forfeited to the county treasurer.

Under the Act, on March 1 each year, certified abandoned property and property that is delinquent for taxes, interest, penalties, and fees for the previous 12 months or more is forfeited to the county treasurer for the total unpaid amount.

Treasury will accommodate any work needed within existing resources.

### **PA 529 of 2016**

House Bill 6036: Allow for lease purchase agreements for certain authorities.

Public Act 529 amends the Uniform Budgeting and Accounting Act to do the following:

- Authorize a local unit's legislative body to provide for the acquisition or financing of energy conservation improvements to the local unit's facilities or infrastructure.
- Allow the legislative body to pay for the improvements or their financing or refunding from the local unit's general fund or from savings resulting from the improvements.
- Allow the legislative body to acquire, finance, or refund the improvements by installment contract, by borrowing money and issuing notes, or by entering into contracts under which an improvement's cost was paid from the resulting savings.
- Allow an installment contract to include a lease-purchase agreement, and prescribe requirements applicable to such an agreement.
- Require the legislative body to make certain determinations pertaining to project costs and expenditures and estimated energy savings before entering into a contract for energy conservation improvements, and report that information to the Public Service Commission (PSC) upon the improvements' completion.
- Require the legislative body to report to the PSC the annual energy consumption of each affected facility for each of the five years after the improvements were completed.

Treasury will accommodate any work needed within existing resources.

### **PA 375 of 2016**

House Bill 4677: Allow for splitting parcels on certain agricultural properties.

Public Act 375 amends the General Property Tax Act to include under the definition of "transfer of ownership" for property tax assessment purposes an assessor's establishment of a separate tax parcel, at the request of the property owner, for a portion of a parcel that ceased to be qualified agricultural property but was not subject to a land division under the Land Division Act, and require the separate tax parcel to be subject to the agricultural recapture tax.

Treasury will accommodate any work needed within existing resources.



### **PA 505-510 of 2016**

Senate Bills 619-624: Provide for opt out for libraries from Tax Capture districts

Public Act 505 through 510 amend various statutes to do the following:

- Exclude from "tax increment revenues" ad valorem property taxes and specific local taxes attributable to those property taxes levied for a separate millage for public library purposes approved by the electors after December 31, 2015, except as provided below.
- Specify that millage that was levied by a library board or commission for public library purposes before January 1, 2016, would be exempt from the capture of tax increment revenue if obligations of the authority capturing the revenue were paid, unless the library board or commission allowed the capture.
- Allow a library board or commission to exempt all or a portion of its taxes from capture, if it levied millage for public library purposes before January 1, 2016, and an authority modified its tax increment finance plan.
- Specify that a library board or commission could allow all or a portion of its taxes to be captured, with respect to a millage for public library purposes approved by the voters after December 31, 2015.
- Require any action of a library board or commission to have the concurrence of the chief executive officer of the city that created the library to be effective, if the library were created by a city under Act that authorizes cities, incorporated villages, and townships to establish and maintain free public libraries.

Treasury will accommodate any work needed within existing resources.

### **PA 78 of 2016**

Senate Bill 171: Clarify timing related to a claim for a property tax exemption for senior/ disabled housing

The act amends Section 7d of the General Property Tax Act to do the following:

- Provide for an approved exemption to take effect in the year in which the exemption is claimed, if the claim has been filed by October 31 and the facility is complete.
- Require a claim for exemption to be filed simultaneously with the local assessor and the Department of Treasury.
- Require the assessor to approve or disapprove a claim for exemption within 60 days after receiving it, and to notify the owner and the Department of the approval or disapproval by December 31 after the initial filing.
- Allow the Department to grant an exemption, effective December 31, 2011, for property that would have qualified for it if an application had been timely filed in 2011.

The act took effect on July 11, 2016.

Treasury will accommodate any work needed within existing resources.

## **BUREAU OF STATE AND AUTHORITY FINANCE**

### **PA 82 and 83 of 2016**

Senate Bills 582 and 583: Provide for issuance of revenue notes related to bonds issued by a county treasurer.

Public Act 82 and 83 amend the General Property Tax Act to do the following:

- Require a county treasurer to keep any money or assets in a delinquent tax revolving fund separate from any other money, property, or assets in the custody of the county treasurer.
- Prohibit the county from using the money in the fund for any purpose except paying specific local units, as outlined in the Act.
- Provide that payment from the fund surplus to the county treasurer may not commence until after payment of the principal of and interest on issued notes and the expenses of borrowing to establish or continue the fund.
- Provide that notes issued and sold are secured by a statutory lien on the delinquent taxes.
- Create a new section 87f under which counties may, for the period delinquent tax revenue notes secured by the delinquent taxes pledged from a delinquent tax revolving fund remain outstanding, continue a delinquent tax revolving fund created under the existing provisions, and issue delinquent tax revolving notes under the Revenue Bond Act.

Treasury will accommodate any work needed within existing resources.

### **Office of Revenue and Tax Analysis**

#### **PA 107 through 110 Of 2016**

Public Acts 107, 108, 109 and 100 amend various statutes that allow property tax exemptions for eligible manufacturing personal property, and provide for the imposition of an Essential Services Assessment. The proposed changes generally involve procedure and administration.

Treasury will accommodate any work needed within existing resources.

#### **PA 260 and 261 of 2016**

Senate Bill 651 and 652: Amend qualified forest property specific tax to provide for transition to Qualified forest program.

Public Act 260 and 261 would create the "Transitional Qualified Forest Property Specific Tax Act" to establish procedures under which commercial forest property (which is exempt from ad valorem property taxes and taxed at \$1.25 per acre) could be determined to be "transitional qualified forest property", which would be exempt from ad valorem property taxes but taxed over a five-year phase-in period as qualified forest property (which is exempt from local school operating taxes and subject to a two-mill annual fee).

Treasury was able to complete the work related to this act within existing resources.

#### **PA 10 of 2016**

Senate Bill 540: Modify distribution of State Education Tax

Public Act 10 amends the State Education Tax Act to make an exception to the requirement that State Education Tax revenue be deposited in the State School Aid Fund.

Treasury was able to complete the work related to this act within existing resources.

## **Bureau of Tax Policy**

### **PA 159 and 160 of 2016**

House Bills 5132 and 5133: Bring taxation of direct mail into compliance with streamlined sales and use tax agreement

Public Acts 159 and 160 repealed a section of the General Sales Tax Act and the Use Tax Act, respectively, regarding the obligation of a seller or purchaser of direct mail to collect, pay, or remit sales or use tax.

Tax Compliance must update all their materials for training and for customers. Treasury will accommodate needed work within existing resources.

## **Office of Collections**

### **PA 224-230 of 2016**

Senate Bills 599,600,601,602,603,604,737: Increase and standardize recording fee for filing liens and other documents with county register of deeds.

Public Act 224, through 230 amend the Revised Judicature Act (RJA) to do the following:

- Require a fee of \$30 to be paid to the register of deeds for recording a document, regardless of the number of pages.
- Require a fee of \$5 to be paid to certify a recorded document.
- Require the State Treasurer, by April 1 of the fifth year after the year in which the bill took effect, and then every five years, to adjust the fees listed in Section 2567 to reflect the percentage change in the Consumer Price Index, or 5%, whichever was less.

Treasury will be able to complete this work with existing resources, however, an increase in spending authority of \$1.3 million is required to allow us to pay the increased lien fees. Treasury has requested an increase in this authorization for both FY17 and FY18 through the budget process to accommodate this change.

### **PA 251 of 2016**

House Bill 5051: Repeal PA 226 of 1889 related to collection of specific taxes.

House Bill 5051 would repeal Public Act 226 of 1889, which provides for the collection of specific taxes from a corporation, co-partnership, party, or person, and defines the time when those taxes become a lien on the property of those entities.

See Public Act 224-230 explanation above.

## **Financial Independence Team**

### **PA 192 of 2016**

House Bill 5384: Create new Detroit Community School District

The bill amended the Michigan Trust Fund Act to create the Community District Education Trust Fund (the Fund) and to earmark and deposit \$72.0 million of tobacco settlement revenue each year into the Fund, beginning in fiscal year 2016-17, until a total of \$617.0 million is deposited into the Fund.

Treasury will accommodate any needed work within existing resources.

**PA 193 of 2016**

House Bill 5383: Create Community District education trust fund

Public Act 193 transfers the Detroit Public Schools to a new district, and makes related changes.

Portions of this public act took effect on June 21, 2016 while others took effect on September 19, 2016.

Treasury will accommodate all needed assistance for the Detroit Public Schools through the existing Financial Independence Team appropriation included in base.

**PA 195 of 2016**

Public Act 195 that transfers the Detroit Public Schools to a new district, and makes related changes.

See explanation for Public Act 192 above.

**PA 196 of 2016**

SB 820: Amend incompatible offices to allow membership on the FRC by a superintendent.

See explanation for Public Act 192 above.

**PA 197 of 2016**

SB 822: Allow for emergency loan for purposes of paying off DPS debt.

Treasury will accommodate all needed assistance for the Detroit Public Schools through the existing Financial Independence Team appropriation.