



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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Millage Requests
and Rollbacks

TO: County Clerks, Treasurers, Equalization Directors, and Chairpersons of Boards of Commissioners; Township Clerks, Treasurers, Supervisors, and Assessors; City Clerks and Assessors; Village Clerks; School District Boards of Education; Intermediate School Districts; Community College Boards of Trustees; and Authority Governing Bodies

FROM: State Tax Commission (STC)

SUBJECT: MILLAGE REQUESTS AND MILLAGE ROLLBACKS

This Bulletin addresses 2015 millage rollback procedures for (“Headlee”) millage reduction fractions under Michigan Compiled Law (MCL) 211.34d, “Truth in Assessing” under MCL 211.34, “Truth in County Equalization” under MCL 211.34, “Truth in Taxation” under MCL 211.24e, and the rollbacks (for Counties only) based on the convention facilities and cigarette tax collections (Health and Safety Act) (see the “Special Note for Counties Only” on page 13 of this Bulletin).

The forms relating to millage rollbacks can be found on the STC Website (www.michigan.gov/statetaxcommission).

1. Form L-4029 (614), *2015 Tax Rate Request*, which is used to calculate the maximum allowable millage levy after possible reduction by the MCL 211.34d (“Headlee”) millage reduction fraction and the MCL 211.34 “Truth in Assessing” or “Truth in County Equalization” rollback fraction. Form L-4029 is not used to calculate the MCL 211.24e “Truth in Taxation” base tax rate fraction.
2. Form L-4297 (868), *Truth in Taxation Notice*, which is used to comply with the publication requirements of MCL 211.24e “Truth in Taxation”.
3. Form L-4034 (2166), *2015 Millage Reduction Fraction Calculations Worksheet*, which is used to compute the MCL 211.34d (“Headlee”) millage reduction fraction, the MCL 211.34 “Truth in Assessing” or “Truth in County Equalization” rollback fraction, and the MCL 211.24e “Truth in Taxation” base tax rate fraction.

A. Important Information for 2015:

- 1. Eligible Personal Property Tax Exemption:** P.A. 402 of 2012 as amended by P.A. 153 of 2013, MCL 211.9o, was effective December 31, 2013 for the 2014 Tax Year and exempts from taxation all eligible personal property. Eligible personal property is defined in the Act and detailed in Bulletin 11 of 2013. Beginning with the 2014 year, eligible personal property must be treated as losses in the Millage Reduction Formula.
- 2. Treatment of commercial personal property and industrial personal property for K-12 school operating millage rollback calculations only:** It is important for assessors and equalization directors to note that, both commercial personal property and industrial personal property are to be included with the “homestead” group of parcels which also includes parcels receiving a full or partial homeowner’s principal residence, qualified agricultural property, or qualified forest property exemption. Commercial personal property now receives a partial exemption of up to 12 mills and the removal of its value from K-12 school operating rollback calculations is consistent with the longstanding policy of including with the “homestead” group of parcels that receive a partial exemption from the (up to) 18 school operating mills. In other words, the taxable value of both commercial personal property and industrial personal property will no longer be included in the “non-homestead” group of parcels, but will be included in the “homestead” group. Please note that the procedures required in this bulletin supersede any conflicting guidance in previous letters and bulletins, including previous letters pertaining to Forms L-4025, L-4028, etc.
- 3. Treatment of expiring renaissance zones:** The State Tax Commission directs that, as a renaissance zone is expiring, qualified renaissance zone (REZ) parcels shall have their taxable values excluded from all rollback calculations for millages that are not wholly or fully levied against those REZ parcels.

For example, the taxable value of REZ parcels that have 75 percent of the County operating millage levied against them in one year shall be excluded from County operating millage rollback calculations for that year. In the following year, when the renaissance zone has expired and 100 percent of the County operating millage is levied against those parcels, the taxable value of those parcels shall be included in the rollback calculations for the County operating millage.¹ Do NOT include in any rollback calculation any REZ parcels which do not have 100 percent of the millage levied against them.

This procedure is similar to and consistent with the rollback calculations “treatment by exclusion” of commercial personal property parcels and parcels with partial homeowner’s principal residence exemptions, partial qualified agricultural property exemptions, etc. from the non-homestead group of properties for K-12 school operating rollback calculations. However, this procedure does not apply only to rollback calculations for

¹Note that when REZ parcels in one year become subject to levy of 100 percent of a millage in the following year, their taxable value shall be treated as additions for rollback purposes for the taxing entity that did not levy 100 percent of its millage against those parcels in the prior year. Additionally, note that these additions for rollback purposes are not additions for capped value calculations.

local school operating millages. REZ parcels in “partially expired” renaissance zones shall have their taxable values excluded from ALL rollback calculations for ALL taxing jurisdictions having a millage which is not wholly or fully levied against the REZ parcels.

Please note that it is necessary to include the taxable value of REZ parcels in the rollback calculations for local school district sinking fund millages and for intermediate school district regional enhancement millages.

When calculating rollbacks that may be affected by the value of REZ parcels, it is important to use/adhere to the following guidelines:

- For millages that are not levied against REZ parcels, the value of REZ parcels should be excluded from rollback calculations.
- For millages that are levied against REZ parcels (intermediate school district regional enhancement millages and K-12 building and site sinking fund millages), the value of REZ parcels should be included in rollback calculations.
- For millages that are not levied against REZ parcels (i.e., for millages that are levied only on the non-REZ group of parcels), the value of parcels moving into REZ (exempt) status represent losses to the non-REZ group and the value of parcels moving out of REZ status represent additions to the non-REZ group.
- For millages that are levied against REZ parcels, the value of parcels moving into, or out of, REZ status do not represent additions or losses for rollback calculations.
- For capped value calculations, the value of parcels moving into, or out of, REZ status is not additions or losses (REZ parcels remain on the ad valorem roll).

B. 2015 Millage Reduction Fraction (MRF) Formula Required by MCL 211.34d

The Headlee millage reduction fraction intends that, ignoring additions and losses, any current operating millage must be reduced if it would produce more tax dollars, adjusted for inflation, than it did last year. While this calculation may result in a millage reduction fraction that is less than 1.0000, it cannot exceed 1.0000.

1. 2015 formula for calculating the “Headlee” MRF:

The following formula in general terms shall be used in 2015 for calculating the MRF:

$$\text{MRF} = \frac{(\text{prior year's taxable value} - \text{losses}) \times \text{inflation rate multiplier}}{\text{current year's taxable value} - \text{additions}}$$

The following is the MRF formula stated in terms that are specific to its use in 2015:

$$\text{2015 MRF} = \frac{(\text{2014 taxable value} - \text{losses}) \times 1.016}{\text{2015 taxable value} - \text{additions}}$$

Please note the following regarding use of the above formula:

- The amount of additions and losses are based on the taxable value of additions and losses as defined by Public Act (PA) 476 of 1996 and as found in MCL 211.34d.
- The Michigan Supreme Court ruled in WPW Acquisition Company v City of Troy that increases in value due to increases in occupancy are not constitutional additions. P.A 164 of 2014 amended MCL 211.34d to remove the language that defined increases in occupancy as additions and added language to the section limiting decreases in occupancy as losses to the time period prior to December 31, 2013.
- The Michigan Supreme Court also ruled in Toll Northville Ltd. and Biltmore Wineman LLC v Township of Northville that increases in value due to public infrastructure improvements are not constitutional additions. Increases in value due to the addition of public infrastructure are not to be included as additions in the above formula.
- The taxable value of some additions and losses are at 50 percent of true cash value and some may be less than 50 percent of true cash value. For more information about additions and losses, please see the instructions for Form L-4025 and State Tax Commission Bulletin No. 3 of 1995, including its supplements contained in Bulletin No. 3 of 1997. Please also see paragraph G of State Tax Commission Bulletin No. 15 of 2002. Additionally, please see State Tax Commission Bulletin No. 19 of 2002 concerning the calculation of additions and losses for personal property. Also, additions and losses are defined in MCL 211.34d.
- The inflation rate multiplier for 2015 “Headlee” calculations is 1.016.

2. Instructions regarding the rollback calculations for local school districts (these instructions do not apply to intermediate school districts or community colleges):

For local school district rollback calculations, there may be two categories of parcels under certain circumstances: (1) “non-homestead” parcels and (2) all parcels in the local school district.

“Non-homestead” parcels are defined for millage rollback purposes as those parcels that do not have a partial or full exemption from the (up to) 18 mills of K-12 school operating millage.²

²Some units and software vendors have chosen to label commercial personal property and industrial personal property as 100 percent homeowner’s principal residence exemption property (i.e., PRE) for rollback calculations. However, the State Tax Commission cautions that for some assessing reports and most tax reports a distinction is required between the various types of millage exemptions.

The “non-homestead” category excludes the taxable value, additions, and losses for parcels that for the current year that

- Have a partial or full homeowner’s principal residence exemption,
- Have a partial or full qualified agricultural property exemption,
- Have a qualified forest reserve exemption,
- Are classified as industrial personal property,
- Are classified as commercial personal property,
- Are qualified parcels in a renaissance zone, including a tool and die recovery zone, or
- Receive any other type of partial or full exemption from the millage.

The second category of parcels for local school district rollback purposes consists of all parcels in the local school district. If a local school district levies an operating millage against the category of all parcels in the local school district, the “Headlee” and “Truth in Taxation” rollback calculations shall be made for that group of parcels.

Please note that REZ parcels may or may not be included in the category of all parcels in the local school district. REZ parcels are subject to the levy of millage for building and site sinking funds (MCL 380.1212), but REZ parcels are not subject to hold harmless and other **operating** millages that are levied against all parcels by a local school district (such as for operation of a community swimming pool). It is important to note that where a local school district levies various millages on all parcels, some of which are levied on REZ parcels and some of which are not, it is necessary to perform two sets of rollback calculations for the category of all parcels in the local school district. One set will include REZ parcels and one set will exclude REZ parcels, respectively. Please note, if a parcel receives any other type of partial or full millage exemption from MCL, it shall be treated in the same manner as an REZ parcel.

Likewise, if a local school district levies an operating millage against “non-homestead” parcels, the “Headlee” and “Truth in Taxation” rollback calculations shall be made for that group of parcels. Except in rare circumstances, it will always be necessary to calculate the rollback fractions for the category of “non-homestead” parcels. It will also frequently be necessary to calculate the rollback fractions for all parcels in a local school district.

The following chart lists the operating millages that local school districts generally levy and the corresponding category of parcels each millage is levied against:

LOCAL SCHOOL DISTRICT MILLAGE CHART

Type of Millage Levied by Local School District	Parcels Against Which the Millage is Levied
Supplemental (hold harmless) millage	All parcels in the local school district
Up to 18 mills of operating millage when there is no supplemental (hold harmless) millage levied or when there is less than 18 mills of supplemental (hold harmless) millage levied	Non-homestead parcels in the local school district
Millage levied under MCL 380.1212 for the purpose of creating a building and site sinking fund (this levy is subject to the “Headlee” rollback but not the “Truth in Taxation” rollback)	All parcels in the local school district
Millage levied for operating a community college under Part 25 of the School Code of 1976	All parcels in the local school district
Certain millages levied for the operation of a library (see MCL 380.1211(8) for details)	All parcels in the local school district
Certain millages levied for operation of a community swimming pool (see MCL 123.1073 for details)	All parcels in the local school district
Millage levied for a recreation system (see MCL 123.52 for details)	All parcels in the local school district
Millage levied for recreation authorities (see MCL 123.1141 for details)	All parcels in the local school district

Assessors are required to identify and report separate taxable values on Form L-4025 (609) for either one or both of these two categories for each local school district depending on the millage(s) being levied by the school district. Equalization directors are likewise required to calculate a MRF for these same categories on Form L-4028 (612) and Form L-4028IC (613).

Please note that local school districts are not authorized to levy an enhancement millage (of up to 3 mills). MCL 380.705 provides that an enhancement millage may be levied only by an intermediate school district, and then only if approved by the voters of the intermediate school district. See paragraph 4)e) below regarding the proper entries on Form L-4029 (614) for local school districts.

3. Building and site sinking fund millage not subject to “Truth in Taxation”:

The building and site sinking fund millage levied under MCL 380.1212 is subject to the “Headlee” rollback, but it is not subject to the “Truth in Taxation” rollback.

4. Guidelines for Form L-4029, 2015 Tax Rate Request, due by September 30 each year to the County Board of Commissioners:

Form L-4029 (614) should be reviewed carefully before completing it so that the instructions are clearly understood. In addition, please note the following guidelines:

- Every MRF shall be rounded to four decimal places. This means that if the number in the fifth place past the decimal is 5 or above you increase the number in the fourth place by 1. If the number in the fifth place past the decimal is 4 or below, do not change the number in the fourth place past the decimal.
- The MRF entered in column 6 shall not exceed 1.0000.
- It is possible to have a MRF of less than 1.0000 due to the uncapping of taxable value resulting from parcels which experienced a transfer of ownership in the prior year.
- The State Education Tax (SET) is not subject to any rollbacks and should not be included on Form L-4029 (614). The State Treasurer separately certifies the SET to local treasurers. This information is posted to the web at www.michigan.gov/set.
- Local school districts shall separately list operating millages on Form L-4029 (614) categorized by whether the millages are levied against all parcels in the local school district or against “non-homestead” parcels in the local school district. (See the definition of “non-homestead” in item 2 above.) The abbreviations “Operating All” and “Operating Non-Home” may be used when completing column 2 on Form L-4029 (614):

“Operating All” is short for “operating millage levied on all parcels in the local school district”. For example, supplemental (hold harmless) millages are levied against all parcels in the local school district.

“Operating Non-Home” is short for “operating millage levied on the ‘non-homestead’ group of parcels”. (See the definition of “non-homestead” in paragraph 2 above.)

C. Method of Calculating the "Headlee" and Truth In Taxation Millage Rollback Fractions for the Non-Homestead Group

Because of the difficulty experienced by assessors and computer companies in tracking properties which came into or left the non-homestead group (as previously defined in this Bulletin) of properties during the prior year, the State Tax Commission has adopted the following method of calculating the millage rollback for the non-homestead group of properties which **shall** be used.

1. Pick a date after the close of the current March Board of Review but before the First Monday in May of current as the status day for determining which properties are part of the NON-HOMESTEAD group for current. **DO NOT** include within this group any properties which have a partial or a total Homeowner's Principal Residence or Qualified Agricultural Property Exemption as of the status day picked.
2. Total the *current* Taxable Valuations of the properties in this group.
3. Total the *previous* Taxable Valuations of THESE SAME properties (from step 2) regardless of their previous Homestead status.
4. Total the "usual" Losses and Additions for THESE SAME properties. The "usual" Losses and Additions are the Losses and Additions discussed on pages 2 through 4 of the Instructions for Form L4025 (such as new construction or a building burning down). DO NOT include, in the total, Losses and Additions due to properties moving in and out of the NON-HOMESTEAD group.
5. Calculate the rollback fractions using these numbers.

Example: If there were 1000 properties in the non-homestead group of properties in the previous year but there were only 950 properties in the group as of the date picked for the current year:

1. Pick the date.
2. Total the *current* Taxable Valuations of the 950 properties.
3. Total the previous Taxable Valuations of the same 950 properties.
4. Total the "usual" Losses and Additions applicable to the same 950 properties. DO NOT include Losses and Additions attributable to properties moving in and out of the group since the Fourth Monday in May of previous.
5. Calculate the millage rollbacks using the Taxable Values (found in steps 1 through 3) attributable to the same 950 properties.

The method outlined in the preceding five steps shall NOT be used when calculating the millage rollback fractions applied against those millages levied by local school districts on all properties in the local school district. The method outlined in the preceding five steps shall be used when calculating the millage rollback fractions that apply to millages levied by a LOCAL school district against the non-homestead group of properties in the LOCAL school district.

For Local School Districts: Since commercial personal property is exempt from only the first 12 mills "non-homestead" operating millage levied, most school districts will be levying one operating rate on commercial personal property and a higher rate on "non-homestead" property. And most districts levying supplemental (hold-harmless) millage will levy three different operating rates: one rate on "homestead" property, a higher rate on commercial personal property, and an even higher rate on "non-homestead" property. To help ensure that the correct millage rates are levied on all property classes, a box has

been added to the lower right corner of the L-4029 (614) form. The local school district is to enter in this box the combined total of the NH operating and the supplemental (hold-harmless) operating millage requested to be levied for each of the class groups listed. These totals should **not** include any recreational millage, sinking fund millage or debt.

For example, for a school district levying 17.8 mills on “non-homestead” property, the district should enter “0” in the box For Principal Residence, Qualified Ag, Qualified Forest and Industrial Personal; “5.8” in the box For Commercial Personal”; and “17.8” in the box “For All Other Property.”

The exemptions on industrial personal, qualified forest, and other “homestead” property, and commercial personal property, are reduced by any supplemental (hold-harmless) millage levied.

Example: A local school district has voted 5 hold harmless mills on “homestead” property in addition to the 18 mills on “non-homestead” property, reducing the 18 mill exemption to 13 mills, (the 18 mills was reduced by a current year MRF to 17.8 mills) and reducing the 12-mill commercial personal property exemption to 7 mills.

On the L-4029 (614) lines, the district requests:

1. The levy of 5 mills on all property, designated as “OP ALL”, and
2. 12.8 mills on “non-homestead” property, designated as “OP NH” (assumes a 0.2 mill millage reduction).

The following millage rates should be entered in the new box in the lower right corner of the L-4029 (614):

1. For Principal Residence, Qualified Ag, Qualified Forest and Industrial Personal – 5.0
2. For Commercial Personal – 10.8: The commercial personal exemption of 12 mills is reduced by 5 mills, leaving a remaining exemption of 7 mills to apply to the non-homestead operating millage. $(5.0 \text{ HH/S} + (12.8 \text{ NH} - 7) = 10.8)$
3. For all other property – 17.8: The total of 5.0 and 12.8 mills. $(5.0 \text{ HH/S} + 12.8 \text{ NH} = 17.8)$

For intermediate school districts: Please note that the value of REZ parcels may or may not be included in the rollback calculations for an intermediate school district (ISD). REZ parcels are subject to the levy of enhancement millages (see MCL 380.1211c), but REZ parcels are not subject to any other operating millages levied by an ISD. It is important to note that where an ISD levies an enhancement millage on all parcels including REZ parcels and levies another millage which is not levied on REZ parcels, it is necessary to perform two sets of rollback calculations. One set will include REZ parcels and one set will exclude REZ parcels, respectively.

D. 2015 Millage Rollbacks Related to State Equalization (MCL 211.34)

There may be Counties, Villages, authorities, Townships, and Cities which will be impacted by the additional rollback requirement of MCL 211.34. MCL 211.34 provides that "...Each year the county board of commissioners shall advise the local taxing units when the state tax commission increases the equalized value of the county as established by the board of county commissioners and each taxing unit other than a city, township, school district, intermediate school district, or community college district, shall immediately reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that subsequent to the increase ordered by the state tax commission pursuant to Act No. 44 of the Public Acts of 1911, as amended, being sections 209.1 to 209.8 of the Michigan Compiled Laws, total property taxes levied for that unit shall not exceed that which would have been levied for that unit at its maximum authorized millage rate, as determined after any reduction caused by section 34d, if there had not been an increase in valuation by the state. If its state equalized valuation exceeds its assessed valuation..., a city or township shall reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that total property taxes levied for that unit do not exceed that which would have been levied based on its assessed valuation."

1. "Truth in County Equalization" (applies to the millages levied by Counties, Villages, and authorities only):

A "Truth in County Equalization" rollback fraction shall be calculated for each County, Village, and authority when its 2015 state equalized value (SEV) exceeds its 2015 County equalized value (CEV). "Truth in County Equalization" does not affect Townships, Cities, local school districts, intermediate school districts, or community colleges. Also, taxing authorities located in more than one County are not subject to "Truth in County Equalization".

The following is the formula for calculating the "Truth in County Equalization" rollback fraction:

$$\text{"Truth in County Equalization" rollback} = \frac{\text{total taxable value based on CEV for all classes}}{\text{total taxable value based on SEV for all classes}}$$

Total taxable value based on CEV is the total taxable value of individual parcels in the taxing jurisdiction as if CEV had become the final SEV for the unit. The total taxable value based on SEV is the actual total taxable value of individual parcels calculated using final SEV as of the fourth Monday in May. For example, assume the following for an individual parcel with no additions or losses:

- 2014 SEV and taxable value (TV) = 100,000
- 2015 CEV = 102,000
- 2015 SEV = 105,000
- 2015 TV based on CEV = 102,000
- 2015 TV based on SEV = 104,400

The 2015 TV based on CEV of 102,000 will contribute to the numerator of the rollback fraction formula, while the 2015 TV based on SEV of 104,400 will contribute to the denominator of the fraction in the formula for “Truth in County Equalization”.

Note that the rollback fraction calculated for a County will likely be different from the fraction calculated for a Village or for an authority because of the different mix of properties within each taxing jurisdiction. The “Truth in County Equalization” millage rollback fraction shall not exceed 1.0000.

2. “Truth in Assessing” (applies to the millages levied by Cities and Townships only):

A “Truth in Assessing” rollback fraction shall be calculated for each City and Township when its 2015 SEV exceeds its 2015 assessed value (AV).

The following is the formula for calculating the “Truth in Assessing” rollback fraction:

$$\text{“Truth in Assessing” rollback} = \frac{\text{total taxable value based on AV for all classes}}{\text{total taxable value based on SEV for all classes}}$$

Total taxable value based on AV is the total taxable value of individual parcels in the assessing unit as if AV had become the final SEV in the unit. Total taxable value based on SEV is the final total taxable value calculated using final SEV for all parcels as of the fourth Monday in May. For example, assume the following for an individual parcel with no additions or losses:

- 2014 SEV and TV = 99,000
- 2015 AV = 99,000
- 2015 SEV = 101,000
- 2015 capped value (CV) = 101,000
- 2015 TV based on AV = 99,000
- 2015 TV based on SEV = 101,000

The 2015 TV based on AV of 99,000 contributes to the numerator of the rollback fraction formula, while the 2015 TV based on SEV of 101,000 contributes to the denominator of the fraction in the rollback formula for “Truth in Assessing”. For some parcels, the TV based on AV may be the same as TV based on SEV because the CV is lower than both AV and SEV. The “Truth in Assessing” millage rollback fraction shall not exceed 1.0000.

Both the “Truth in County Equalization” and the “Truth in Assessing” rollback fractions identified above are applied against the unit's respective “maximum authorized millage rate” (regardless of when the millage was approved by the voters), but after any reduction caused by the unit's section 211.34d (“Headlee”) MRF for the current year. For example, a “Truth in Assessing” millage rollback fraction would be applied to the maximum rate for a Township or City after that rate has been reduced by any applicable “Headlee” MRF for the current year.

Each of the “Truth in County Equalization” and “Truth in Assessing” rollback fractions is placed on Form L-4029 in column 8, which is labeled “Sec. 211.34 Truth in Assessing or Equalization Millage Rollback Fraction”. There will never be a circumstance where there is both a “Truth in County Equalization” rollback fraction and a “Truth in Assessing” rollback fraction for the same taxing jurisdiction. Therefore, column 8 is used for one rollback fraction or the other, not both.

The adoption of a SEV by the State Tax Commission which exceeds the CEV for any one, any combination, or all of the separately equalized classifications of property of a County shall result in the calculation of a “Truth in County Equalization” millage rollback fraction to be applied to the total authorized County, Village, or authority millage rate, after any applicable “Headlee” reduction. It should be noted that all “Truth in County Equalization” millage rollback fractions are calculated on the basis of all of the classifications of the County, Village, or authority taken together, not by each separately equalized classification taken separately.

The maximum authorized millage rate, after reduction by any applicable “Headlee” or MCL 211.34 reduction for the year results in the applicable millage rate for the County, Village, or authority in the matter of “Truth in County Equalization” or the applicable millage rate for the Township or City in the case of “Truth in Assessing”. Both rates may need to be further reduced by “Truth in Taxation”, if applicable. After all of these considerations, the reduced rate is applied against the TV of each parcel of property on the tax roll.

E. “Truth in Taxation” (Required by MCL 211.24e)

Truth in Taxation intends that the Board of a taxing unit approve the operating millage levy when the following situation occurs. The current levy of the sum of all operating millages for the unit produces more tax dollars than last year’s actual levy. For the preceding statement, ignore additions, losses, and building and site fund millage.

1. 2015 formulas for calculating the “Truth in Taxation” base tax rate (BTR) and the base tax rate fraction (BTRF):

$$2015 \text{ BTR} = 2014 \text{ operating levy rate} \times 2015 \text{ BTRF}$$

$$2015 \text{ BTRF} = \frac{2014 \text{ total TV} - \text{losses}}{2015 \text{ total TV} - \text{additions}}$$

The amounts of the losses and additions used in the formula above will be the same as those used in the “Headlee” calculation discussed in paragraph A of this bulletin. The BTRF is calculated for each local taxing unit on Form L-4034 (2166).

Important note regarding millages approved in 2015: If a local taxing unit wishes to levy combined operating millage that is greater than the 2015 BTR, the local unit must comply with one of the two options described in paragraph 2 below. This is true even if

the millage to be levied has been approved by the voters anytime in 2015. This requirement is different from the provisions of the “Headlee” rollback, which do not apply in 2015 to new millages authorized by the voters after April 30, 2015.

Special note for Counties only: A County must reduce its BTR for “Truth in Taxation” purposes by a rate produced by dividing its estimated convention facilities tax revenue by the County's current year TV. A further reduction in a County's 2015 BTR must be made in the same manner for the estimated cigarette tax revenue to be received by the County during the calendar year 2015. An estimate of this revenue and the convention facilities tax revenue will be sent to the Counties in May 2015. A County which complies with Section 16 of the Uniform Budgeting and Accounting Act (see paragraph 2 below) is not required to make the calculations relating to the convention facilities tax and the cigarette tax discussed in this paragraph. The procedure for levying an operating tax rate that exceeds the BTR is prescribed in MCL 211.24e and will be discussed in paragraph 2 below.

2. Procedures for levying an operating millage rate which exceeds the BTR:

A local taxing entity which wishes to levy an operating millage rate that exceeds the BTR may do so either (a) by complying with Section 16 of the Uniform Budgeting and Accounting Act (MCL 141.436) or (b) by complying with the requirements of “Truth in Taxation” (MCL 211.24e).

The following are the provisions of Section 16 of the Uniform Budgeting and Accounting Act:

- a. Unless another method for adopting a budget is provided by a charter provision in effect on April 1, 1980, the legislative body of each local unit shall pass a general appropriations act for all funds except trust or agency, internal service, enterprise, debt service or capital project funds for which the legislative body may pass a special appropriation act.
- b. The general appropriations act shall set forth the total number of mills of ad valorem property taxes to be levied and the purposes for which that millage is to be levied. The amendatory act that added this subsection shall be known and may be cited as “the truth in budgeting act”.**
- c. The general appropriations act shall set forth the amounts appropriated by the legislative body to defray the expenditures and meet the liabilities of the local unit for the ensuing fiscal year, and shall set forth a statement of estimated revenues, by source, in each fund for the ensuing fiscal year.
- d. The general appropriations act shall be consistent with uniform charts of accounts prescribed by the state treasurer or, for local school districts and intermediate school districts, by the state board of education.

- e. This act shall not be interpreted to mandate the development or adoption by a local unit of a line-item budget or line-item general appropriations act.
- f. The legislative body shall determine the amount of money to be raised by taxation necessary to defray the expenditures and meet the liabilities of the local unit for the ensuing fiscal year, shall order that money to be raised by taxation, within statutory and charter limitations, and shall cause the money raised by taxation to be paid into the funds of the local unit.
- g. Except as otherwise permitted by section 102 of the state school aid act of 1979, 1979 PA 94, MCL 388.1702, or by other law, the legislative body shall not adopt a general appropriations act or an amendment to that act which causes estimated total expenditures, including an accrued deficit, to exceed total estimated revenues, including an available surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act, 1981 PA 80, MCL 141.1001 to 141.1011, or the balance of the principal of these bonds or other obligations. (Emphasis added.)

If a unit complies with Section 16 of the Uniform Budgeting and Accounting Act, it is not required to publish a separate “Truth in Taxation” notice or have a separate “Truth in Taxation” hearing (as required by MCL 211.24e) when it wishes to levy an operating rate which exceeds the BTR.

The following are the requirements of MCL 141.412 regarding the notice of hearing for the proposed budget (these are separate from the “Truth in Taxation” notice requirements):

A local unit shall hold a public hearing on its proposed budget. The local unit shall give notice of the hearing by publication in a newspaper of general circulation within the local unit at least 6 days before the hearing. The notice shall include the time and place of the hearing and shall state the place where a copy of the budget is available for public inspection. The notice shall also include the following statement printed in 11-point boldfaced type: “The property tax millage rate proposed to be levied to support the proposed budget will be a subject of this hearing.”

Those taxing entities that wish to levy an operating millage rate which is greater than the BTR but which do not meet the requirements of Section 16 of the Uniform Budgeting and Accounting Act must meet the “Truth in Taxation” requirements of MCL 211.24e. Form L-4297(868) is a model Notice of Public Hearing for use by local taxing units which do not meet the requirements of Section 16 of the Uniform Budgeting and Accounting Act. Form L-4297(868) fulfills the requirements of MCL 211.24e for the notice required to be published in the newspaper if a local unit of government intends to levy an operating millage rate greater than the BTR and does not meet the requirements of Section 16 of the Uniform Budgeting and Accounting Act. Also included with this bulletin is an example showing how to calculate the figures which are placed on the “Truth in Taxation” Notice of Public Hearing (Form L-4297 (868)). It is important to note that Form L-4297 (868) is not the notice form for the budget hearing under Section 16 of the Uniform Budgeting and Accounting Act.

There is no prohibition against holding a “Truth in Taxation” hearing prior to and in anticipation of an approval of millage by voters.

3. Additional BTR, BTRF, and “Truth in Taxation” procedures and information:

- The BTRF is calculated each year and does not compound.
- The BTRF is rounded to 4 decimal places.
- The BTR is calculated by multiplying the BTRF by the operating millage rate levied in the immediately preceding year. The BTR shall be rounded down as directed by PA 38 of 1999.
- MCL 211.24e (“Truth in Taxation”) provisions are not applicable to a taxing jurisdiction that levied an operating millage of one mill or less in the immediately preceding year.
- If a local taxing entity fulfills the legal requirements for levying an operating millage in excess of the BTR, the rate levied shall not exceed the maximum authorized rate after reduction by MCL 211.34 and MCL 211.34d, where reductions under those sections are applicable.
- “Truth in Taxation” provisions do apply to local school districts (i.e., local school district millages are subject to “Truth in Taxation”).

4. Example of calculations for the “Truth in Taxation” Notice of Public Hearing for 2015 (Form L-4297 (868)):

Example:

- 2015 BTR for a local taxing entity is 9.5000 mills.
- 2014 TV = 1,000,000
- 2014 operating millage levied = 9.6000 mills
- 2015 TV = 1,050,000
- The local taxing entity in question wishes to levy 10.0000 mills for operating purposes and the 10.0000 mills do not exceed the maximum authorized millage rate after reduction by MCL 211.34d (“Headlee”) and MCL 211.34 (“Truth in Assessing” or “Truth in County Equalization”).

Given this information, the following formulas would be used to calculate the figures to be entered on Form L-4297:

Proposed increase = millage the taxing entity proposes to levy in 2015 - BTR

Proposed increase = 10.0000 mills - 9.5000 mills = 0.5000 mills

$$\begin{aligned} \text{Percentage increase in operating revenue} &= \frac{\text{proposed increase}}{\text{BTR}} \times 100 \\ &= \frac{0.5000 \text{ mills}}{9.5000 \text{ mills}} \times 100 \\ &= 5.26\% \end{aligned}$$

Percentage increase (could also be a decrease) if the proposed increase is not approved

$$\begin{aligned} &= \frac{(\text{BTR} \times \text{current year TV}) - (\text{operating millage levied in prior year} \times \text{prior year TV})}{(\text{operating millage levied in prior year} \times \text{prior year TV})} \times 100 \\ &= \frac{(9.5000 \text{ mills} \times 1,050,000) - (9.6000 \text{ mills} \times 1,000,000)}{(9.6000 \text{ mills} \times 1,000,000)} \times 100 \\ &= \frac{(0.0095 \times 1,050,000) - (0.0096 \times 1,000,000)}{(0.0096 \times 1,000,000)} \times 100 \\ &= \frac{9,975 - 9,600}{9,600} \times 100 \\ &= \frac{375}{9,600} \times 100 \\ &= 3.91\% \end{aligned}$$

F. Additional Considerations

- In years that the inflation rate is greater than 1.000 and the Headlee millage reduction fraction (MRF) is less than 1.0000, Truth in Taxation's base tax rate fraction (BTRF) by definition is less than the MRF.
- When the inflation rate is less than 1.000, the BTRF will exceed the MRF in all cases.
- Definition for this purpose: 'Maximum Allowable Millage' means all operating millage as reduced by applying the applicable Headlee multiplier, and Truth in Assessing or Truth in Equalization multiplier.

- While the Headlee MRF is limited on the upside to 1.0000, Truth in Taxation's BTRF may exceed 1.0000. However, the BTRF cannot cause the base tax rate to exceed the 'maximum allowable millage' net of any building and site fund millage (BSF).
- Newly approved operating millage (since last year's levy) is subject to the requirements of Truth in Taxation. So even when the BTRF is greater than the MRF or 1.0000, the newly approved millage will often cause the 'Base Tax Rate' to be less than the 'Maximum Allowable Millage' (sum of operating millage net of BSF), thereby requiring compliance with Truth in Taxation in order to levy more than the 'Base Tax Rate'.

Example: How is the base tax rate applied if last year's maximum levy was 2 mills, but the actual levy was 1.7 mills? Does 'Truth in Assessing' come into play?

Last year this unit could have levied 2.0000 operating mills (maximum allowable millage (MAM)), but chose to levy 1.7000 mills. The current year's 'Millage Reduction Fraction' is 1.0000, but the applicable 'Truth in Assessing' or 'Truth in Equalization' multiplier is .9500. Since there is no expired or newly voted millage the current 'Maximum Allowable Millage' (MAM) is 1.9000 operating mills.

$$\begin{aligned} 2015 \text{ MAM} &= 2014 \text{ MAM} \times 2015 \text{ MRF} \times \text{Truth in Assessing or Truth in Equalization} \\ 2015 \text{ MAM} &= 2.0000 \quad \times 1.0000 \quad \times .9500 = 1.9000 \end{aligned}$$

Assume this year's 'Base Tax Rate Fraction' is 1.0050.

$$\begin{aligned} \text{This year's 'Base Tax Rate'} &= 2014 \text{ Actual Levy} \times 2015 \text{ BTRF} \\ \text{BTR} &= 1.7000 \quad \times 1.0050 = 1.7085 \end{aligned}$$

What does this mean?

- The taxing jurisdiction can levy up to 1.7085 total operating mills (plus any BSF) without holding a Truth in Taxation hearing (including Section 16 of the Uniform Budget and Accounting Act).
- The taxing jurisdiction may not levy more than 1.9000 operating mills without a successful millage election.
- The taxing jurisdiction must comply with the requirements of Truth in Taxation to levy more than 1.7085 operating mills (net of any BSF), up to 1.9000 operating mills (net of BSF).