



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

**DATE:** July 5, 2019

**TO:** Municipal Treasurers with Specific-Tax Properties

**FROM:** Community Services Division, Michigan Department of Treasury

**SUBJECT:** Proper Distribution of Specific-Tax Payments and the Calculation of Tax Increment Revenue for Specific-Tax Properties in TIF Districts

The summer tax bills with the State Education Tax included have been mailed and the payments will be arriving soon, which makes it a good time to review the proper distribution of tax proceeds from “special-tax” parcels that are not on the ad valorem tax roll. These instructions cover the following six “special taxes:”

- Industrial Facility Tax (IFT) [1974 PA 198](#)
- Commercial Facilities Tax (CFT) [1978 PA 255](#)
- Neighborhood Enterprise Zone Tax (NEZ) [1992 PA 147](#)
- Obsolete Properties Tax (OPRA) [2000 PA 146](#)
- Eligible Tax Reverted Property Tax Specific Tax (“Land Bank Tax” or “5/50 Tax”) [2003 PA 260](#)
- Commercial Rehabilitation Tax (CRT) [2005 PA 210](#)

These taxes each have a calculation and distribution method prescribed in the statute authorizing the tax. The calculation of each tax is unique and is beyond the scope of these instructions, which is limited to the *distribution* of the tax upon collection.

In making the distributions, it is critical to keep in mind that these parcels are *exempt from ad valorem taxes*, and the distribution is not in every instance the same as ad valorem taxes, where the revenue is forwarded to the entity levying the tax. Each special-tax parcel pays a single tax, and the distribution of that tax is described in each statute. The computation of each of these taxes uses the ad valorem tax rates as a starting point and exempts many of the individual rates either in whole or in part.

While the specific-tax distributions are generally to the taxing jurisdictions *pro rata* based on the share of ad valorem taxes each levies, there are a few distinctions that are consistent among all six taxes.

- First, although the computation of each specific tax uses all or part the millage levied under the State Education Tax Act, [1993 PA 331](#), the properties subject to the specific

taxes **are exempt from the State Education Tax.** Each statute requires the share of the specific taxes attributable to SET millage to be sent directly to the Department of Treasury, NOT to the county treasurer.

- Second, although the computation of each specific tax uses all or part the local school operating millage levied under the Revised School Code, [1976 PA 451](#), the properties subject to the specific taxes **are exempt from the local school operating millage.** Each statute requires the share of the specific taxes attributable to the local school operating millage to be sent directly to the Department of Treasury, NOT to the local school district. The shares of the specific taxes attributable to millages levied by local school districts that are NOT operating millage (e.g., sinking fund and debt) should be sent to the school districts just like ad valorem taxes.
- Third, the share of specific taxes attributable to intermediate school district (ISD) operating millages (allocated, voted enhancement, special education, and career/technical (vocational) education) are determined for each ISD individually as follows:
  - Specific-tax shares attributable to ISD debt millage are always sent to the ISD;
  - Specific-tax shares attributable to ISD allocated millage are always sent to the ISD;
  - Specific-tax shares attributable to ISD voted enhancement millage are always sent to the ISD;
  - Specific-tax shares attributable to ISD special education millage are sent to the ISD if the ISD DOES NOT get state aid for special education under the State School Aid Act of 1979, [1979 PA 94](#); if the ISD DOES get state aid for special education, the specific-tax share of special education millage is sent to the Department of Treasury.
  - Specific-tax shares attributable to ISD career/technical education millage are sent to the ISD if the ISD DOES NOT get state aid for career/technical education under the State School Aid Act of 1979, [1979 PA 94](#); if the ISD DOES get state aid for career/technical education, the specific-tax share of career/technical education millage is sent to the Department of Treasury.

The percentage of specific taxes attributable to ISD operating millages that should be sent to ISDs are compiled annually in Appendix 1. Approximately two-thirds of all ISDs keep 100% of the specific-tax share attributable to ISD operating millages. The remaining ones receive varying percentages that are a function of millage rates and state aid received. Since Appendix 1 isn't updated until after the winter taxes are billed (spring 2020 for the 2019 tax year), Treasury advises municipal treasurers to use last year's Appendix 1 rates when distributing ISD and state shares of ISD-levied millage. Alternatively, municipal treasurers may contact ISDs directly to determine whether state aid was received for special education or career/technical education.

The shares of specific taxes that are sent directly to the Department of Treasury for deposit in the school aid fund should be accompanied by a State Share of Specific Taxes Voucher, [Form 3865](#). You may include payments from multiple taxes on one voucher, but please be sure to list the amounts on the proper lines.

Equally important to the proper distribution of the specific taxes, but often overlooked, is whether to include tax increment financing authorities (DDAs, LDFAs, BRFAs, etc.) in the distribution for amounts "captured" by the authorities.

Treasurers are required to transmit tax increment revenues to authorities. 2018 PA 57 Sec. [215](#), [314](#), [413](#), [619](#), [716](#) and [815](#); and 1996 PA 381 Sec. [16](#). “Tax increment revenues” is defined in PA 381 and PA 57 individually for [BRFAs](#), [DDAs](#), [TIFAs](#), [LDFAs](#), [CIAs](#), [NIAs](#) and [WRTIFAs](#). Each definition includes ad valorem taxes and either “specific taxes” or “specific local taxes.” Those terms are likewise defined in the same definitions sections separately for each authority type.

Briefly, IFTs and CFTs can be captured by all authorities. BRFAs can capture all six specific taxes listed herein, but the “5/50” tax share reserved for land bank authorities cannot be captured by a BRFA. Of the authorities governed by PA 57, only NIAs can capture the NEZ and CRT specific taxes, and only LDFAs can capture the OPRA. A matrix showing which authorities may capture which specific taxes is included with these instructions. It is important for municipal and county treasurers to transmit to authorities only tax revenues that meet the statutory definition of “tax increment revenues.” So, for example, if there are OPRA and NEZ parcels located in a DDA, it would not be appropriate to forward any share of those specific taxes to the DDA because those taxes are not included in the definition of tax increment revenues for a DDA.

If you have additional questions concerning the calculation and distribution of specific taxes, you may contact Dave Finks at 517-335-4305 or Josh LaBrenz at 517-241-4338. If you have additional questions concerning whether an individual specific tax is included as tax increment revenue for a particular type of authority, contact Travis Bukovcik at 517-335-2532 or Jim Mills at 517-335-4669.

Thank you very much for your continued attention to these important matters.