JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

June 30, 2004

RETENTION OF STATE EDUCATION TAX PER PARCEL FEE

Dear County Treasurer:

Public Act 331 of 1993, the State Education Tax Act, requires cities and townships to collect the state education tax in a summer levy, except as otherwise provided by law. Last year, eligible tax-collecting units of local government were authorized to receive reimbursement from the State of $2.50 per each parcel of property upon which the state education tax was billed.

Beginning with summer 2004 collections, in lieu of reimbursement, eligible tax-collecting units of local government are authorized to retain $2.50 per parcel of property upon which the state education tax is billed. Public Act 108 of 2004, which took effect May 20, 2004, amended the State Education Tax Act, in part, as follows:

> If a city or township collects the tax levied under this act pursuant to this section, that city or township shall retain $2.50 for each parcel of property in that city or township on which the tax levied under this act is billed under this section from the tax collected under this act before transmitting the tax collected as provided in this act.

Since the adoption of Act 108, the Department of Treasury, Bureau of Local Government Services, has received numerous inquiries from units of local government regarding when the $2.50 per parcel fee may be retained. While the Act does not specify a particular retention schedule, readily discernible options would be to: (a) deduct the per parcel fee from each tax payment when received, or (b) deduct a lump sum equal to $2.50 times the number of all parcels billed once sufficient tax payments have been received to satisfy the lump sum, or (c) deduct a lump sum as of September 14, 2004, when the tax is due.

The Department of Treasury expresses no preference in respect to any of the foregoing options. However, it is imperative that tax-collecting units of local government maintain sufficient records regarding taxes collected and disbursed, and amounts retained, to permit a proper reconciliation. As the county treasurer, you are required under Act 108 to report to the Department of Treasury on the amount retained by units of local government for the $2.50 per parcel of property upon which the state education tax is billed. As provided by the State Education Tax Act, the $2.50 retaining fee per billable parcel is limited to only those parcels where no other summer property tax is collected (MCL 211.905b (1)).

I trust that this information will be of assistance to you. Please feel free to share this information with unit of local government treasurers within your county.

Sincerely,

Frederick Headen

Frederick Headen, Director
Bureau of Local Government Services