

## MLA Advocacy - May 25, 2017



### **MPSERS Debate Continues**

Folks in Lansing are focused on passing a state budget. However, disagreement over two bills HB 4647 and SB 401 seem to be holding up the process. The legislation replaces the Michigan Public School Employees' Retirement System or MPSERS hybrid system. According to a MIRS report, the new 401(k) would mirror the current plan for state employees, which is an automatic employer contribution of 4 percent of the employees' salary plus a 100 percent matching contribution up to 3 percent for a total of 10 percent. The House Fiscal Agency projects this sweetened 401(k) and paying the upfront costs connected with the unfunded liability would cost \$21.7 billion over 40 years.

Opinions vary due to the complexity of the issue. MLA is following the discussion since some librarians are covered under the MPSERS plan. Watch for more information as details unfold.

### **Important Information on Library Exemptions from Tax Capture**

MLA spearheaded legislation, signed into law in January, that provides libraries with relief from the burden of tax capture. SB 619-624, now Public Acts 505-510 mean millions of future tax dollars will go to our libraries.

The new laws exempt any library millage approved by voters after January 1, 2017 from capture by any Downtown Development Authority, Local Development Financing Authority, Water Resource Improvement Tax Increment Finance Authority, Tax Increment Finance Authority, Corridor Improvement Authority and Historical Neighborhood Tax Increment Finance Authority. With respect to library millages approved before January 1, 2017, the existing millages would be exempt from capture if there are no outstanding bonds or obligations.

The goal of this legislation was to allow libraries to determine if tax capture is right for their patrons. We believe tax captures should be transparent in their activities, explain their value to library boards and then request an opt-in from libraries.

Depending upon your library's situation, your library millage may qualify for an automatic exemption or the library board may have to take affirmative action to opt out. There is an exception in the bills for certain city libraries, city libraries established under PA 164 section 1 or 10 a (MCL 25 397.201 and 397.210A) or established under 1869 LA 233 may not be eligible for automatic or "opt out" exemptions, so those libraries should continue to work with their city leadership on an opt out plan if that is their choice.

### **Automatic Exemptions:**

For those millages that are automatically exempt, the library board may still choose to allow the millage to be captured. This requires library board approval. After thoughtful consideration, if your library desires to move forward with the automatic exemption, it's time to respectfully notify your city or township treasurer. We recommend that you send this communication soon since tax bills are generally mailed on July 1.

If your library has a millage that has been previously captured by a tax capture authority, is now exempt by law, and you would like to ensure that the automatic exemption is being applied, you can email your city or township treasurer the following information:

**"The (Downtown Development Authority Act or insert applicable act here \_\_\_\_\_) was recently amended to exempt certain library millages from capture. The (insert Library name here) Library's millage is automatically exempt under the new law because the millage was approved by voters before January 1, 2017 and the (DDA or insert applicable act here) has no outstanding bonds or obligations. Please confirm that the library millage will no longer be captured."**

While any new millages from January 1, 2017 forward are automatically exempt, if you are concerned that the new millage may be captured, your library should clarify with the city or township treasurer that the new millage will not be subject to capture.

### **Exemptions that Require a Library Opt Out**

In certain circumstances, millages may not be automatically exempt, but the library may still have an opportunity to opt out of the millage. Those situations are as follows:

- 1.

Libraries should proactively continue to opt out of any new tax capture if that is their choice. (Board resolution and letter to authority.)

2.

A library may now opt out of any current tax capture when it changes either its boundaries or extends the duration of an existing finance plan. Your library board must take affirmative action to opt out when the notification of expansion or change takes place. (Board resolution required and letter to authority.)

## **Technical Bills**

We continue our work on a technical bill package that would clarify language regarding the exemptions. The bills continue through the drafting process as we identify any necessary changes. The technical package SB 305-310 will likely have a hearing in the Senate Tax Policy committee in early fall. To avoid any possible challenges to your library's tax capture exemption, you should continue to take action to proactively opt out of a new capture if that is your board's decision. That includes a board resolution and letter to the tax capture authority within 60 days of notification of a meeting.

These accomplishments are a tremendous first step and our work continues on this important issue. Libraries were the only special millage to receive an exemption. After decades of hard work on this issue, the legislature and the governor recognized the importance of library funding. When you meet with your legislators, be sure to thank them again for their support.

Please feel free contact me with questions. Some libraries may need to consult their attorney.

*Disclaimer: This is not legal advice. It is for informational purposes only. If you have legal or technical questions, please consult your library's attorney for guidance.*

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