

Legislative Analysis



LOCAL GOVERNMENT REIMBURSEMENT FUND

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Senate Bill 565 as passed by the Senate

Sponsor: Sen. Sarah Anthony

House Committee: Appropriations [Discharged]

Senate Committee: Appropriations [Discharged]

Complete to 10-2-25

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 27 of 2025)

SUMMARY:

Senate Bill 565 would amend the Michigan Trust Fund Act to provide that money in the Local Government Reimbursement Fund at the close of the fiscal year does not remain in the fund and lapses to the general fund.

Currently, funds in the Local Government Reimbursement Fund at the close of the fiscal year remain in that fund and do not lapse.

MCL 12.253a

FISCAL IMPACT:

Currently, \$75.0 million is annually deposited in the Local Government Reimbursement Fund from use tax revenues for reimbursement payments to local units of government related to the expansion of the small business deduction for personal property taxes. According to the Department of Treasury, this amount exceeds the amount required for reimbursement by a significant amount. For example, calendar year 2023 claims totaled \$16.6 million. The department does not expect claims to increase substantially in future years.

Under current law, the balance of the fund would remain in the fund. The bill would authorize any remaining balance at the end of the fiscal year to lapse to the general fund. This is expected to increase general fund revenue by approximately \$55.0 million on an annual basis. Ultimately, in subsequent fiscal years, the general fund revenue impact will depend on actual claims relative to the \$75.0 million deposit.

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