

Legislative Analysis



EXTENSION FOR PROPERTY TAX LATE CHARGES

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bills 5761 (proposed substitute H-1) and 5810 as introduced
Sponsor: Rep. James A. Lower
Committee: Local Government and Municipal Finance
Complete to 5-28-20

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

SUMMARY:

House Bills 5761 and 5810 would add two sections to the General Property Tax Act that would suspend the collection of late charges on property taxes for eleven months.

Generally under the act, taxes levied in the previous year and unpaid are returned as delinquent to the county treasurer on March 1st. Under the bills, payments on summer 2020 taxes and assessments made on or before September 30, 2020, would be considered timely. If summer 2020 taxes or assessments were unpaid after that date, the property would be returned as delinquent to the county treasurer on October 1, 2020.

However, unpaid qualified late charges on unpaid summer 2020 taxes and assessments could not be assessed for eleven months after the delinquent date (so, September 1, 2021).

Both bills convey the legislature's intent to appropriate funds from the state's general fund, which Treasury could use to compensate county treasurers for the additional cost of borrowing to finance the delinquent tax revolving fund. Under HB 5761, funds to compensate county treasurers for late charges are intended to be appropriated within 45 days of the 11-month period.

House Bill 5810

Despite the provision that states that unpaid taxes are considered delinquent on September 30, 2020, HB 5810 provides that local tax collecting units would have to allow taxpayers the opportunity to enter into partial payment plans, whereby owners could pay their summer 2020 taxes until the last day that winter 2020 taxes could be collected and have them considered timely. Such payment plans would be offered for portions of unpaid summer 2020 taxes amounting to at least \$50.

Beginning on October 1, 2020, unpaid summer taxes and assessments would be due and payable to the county on behalf of the local taxing units, and subject to payment from the delinquent tax revolving fund, including payment accomplished by issuance of revolving fund notes.

Additionally, except as provided in HB 5761, the fees and interest as provided in the act apply to delinquent summer 2020 taxes and assessments beginning October 1, 2020.

Finally, for all other purposes relating to the forfeiture, foreclosure, and sale for the enforcement and collection of delinquent taxes, delinquent summer 2020 taxes and assessments would be treated as having been returned on March 1st.

MCL 211.78a and proposed MCL 211.44e

House Bill 5761

The bill would provide that a local tax collecting unit could only bill or otherwise attempt to collect late charges by having the county treasurer apply to the state for its payment of the unpaid *qualified late charges* by filing the applicable application and all supporting affidavits with the Department of Treasury promptly after the 11-month extension expired.

Qualified late charge would mean the fees and interest charges that accrue relating to the forfeiture, foreclosure, and sale for the enforcement and collection of delinquent taxes under the General Property Tax Act, on unpaid taxes levied in the summer of 2020 during the 11-month period beginning on October 1, 2020, if the owner experienced economic hardship as a result of the COVID-19 pandemic or an executive order resulting from the pandemic, or both, and has filed an affidavit attesting as much by August 28, 2020.

The local tax collecting unit, in turn, would have to transmit copies of any affidavits where the property owner has attested to economic hardship as a result of the COVID-19 pandemic or an executive order resulting from the pandemic, along with its return of delinquent summer 2020 taxes.

Proposed MCL 211.78t

The bills are tie-barred together, meaning that neither could take effect unless both were enacted.

FISCAL IMPACT:

As written, the bills would exempt taxpayers that are adversely affected economically by the coronavirus pandemic from being subject to penalties and interest on delinquent summer 2020 property tax payments. The bills include language that the intent of the legislature is for the state to appropriate necessary funding to reimburse tax collecting units for the loss of penalties and interest. In the event such an appropriation is made, general fund revenue would decline by an unknown amount.

However, because statute cannot mandate an appropriation, there is no actual requirement that the funds be made available. In that instance, if the local tax collecting units were unable to collect those fees on their own, the revenue loss would be shifted to local governments.

Legislative Analyst: Jenny McInerney
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.