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MILLAGE RATES: ROUNDING OFF

House Bill 5801 (Substitute H-1) First Analysis (6-16-98)

Sponsor: Rep. Sue Rocca
Committee: Tax Policy

THE APPARENT PROBLEM:

The General Property Tax Act permits an assessor, in order to avoid fractions in computation, to add not more than one-half of one percent to "the amount of the several taxes to be raised." The act says that the excess goes to the contingent fund of the township, city, or village, or of the county when the county collects county taxes. This apparently is interpreted to mean that the millage rate can be rounded up. (A 1976 attorney general's opinion interprets the provision this way, although some people believe the provision was meant to apply to the dollar amount of taxes on tax bills. The opinion offers as an example that if township, school, and county taxes aggregate 54.82 mills, the local tax collecting unit can use a tax rate of 55 mills and retain the excess for its contingent fund). Representatives of local units of government say this is called "excess of roll" and have suggested it is not a widespread practice, and does not result in the collection of much additional revenue when used. According to recent press accounts, one city in Macomb County rounds up the county tax rate of 4.7616 mills and charges its taxpayers 4.77 mills, with the excess revenue retained by the city. Critics have complained that rather than "rounding up" when calculating taxes, local units should "round down," in order to benefit taxpayers. They argue that tax rates should not be raised administratively, but only by popular vote.

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act to permit the assessor, in order "to avoid fractions in computation," to round down the tax rate to four decimal places.

MCL 211.39

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

The bill proposes to end the practice of "rounding up" taxes to avoid fractions in computation. Instead, it would only allow assessors to round down to four decimal places. (The bill is permissive; it applies if an assessor chooses to round off.) The aim of the bill is to benefit taxpayers in millage rate calculations and to prevent local units from inflating tax rates.

POSITIONS:

The Michigan Township Association supports the concept of the bill. (6-15-98)

Analyst: C. Couch

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

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