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SFA**BILL ANALYSIS**

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Senate Bill 779 (as reported without amendment)

Sponsor: Senator Virgil C. Smith, Jr.

Committee: Finance

CONTENT

The bill would amend the Municipal Finance Act to revise current provisions that allow the issuance of delinquent tax anticipation notes by the City of Detroit for unpaid property taxes owed to the Detroit school district. The bill specifies that notes or bonds could be used to pay for delinquent taxes owed to the school district or the city; specifies that the city could establish procedures for collecting delinquent taxes and enforcing tax liens; and provides that the school district and the city would have to pay their pro rata shares if the collection of delinquent taxes were insufficient to repay notes and bonds. Under the bill, "delinquent taxes" would mean delinquent ad valorem taxes levied on real or personal property or a delinquent special ad valorem levy, special assessment, user fee or charge for unpaid rates or charges for services, or other charge imposed by or on behalf of the city or school district, or collected by the city or school district.

Currently, the city, by resolution upon the school district's request and without a vote of the electors, may borrow money and issue delinquent tax notes to pay the school district's share of delinquent ad valorem taxes that have been delinquent for up to three years. The delinquent taxes owed to the school district may be pledged to the payment of the principal and interest on the notes issued by the city. The bill provides that the city could issue delinquent tax notes or bonds in one or more series to pay delinquent taxes, or levies that would become delinquent taxes prior to the final maturity of the notes or bonds to the city or, upon request of the school district, to the school district. The bill would delete the three-year delinquency limitation. The bill specifies that the notes or bonds would not be a debt of the city within the meaning of any constitutional, statutory, or charter limitation. Currently, all delinquent taxes pledged that are due and payable to the school district are due and payable to the city for deposit in its delinquent tax fund. The bill provides that all delinquent taxes pledged that were due and payable to the city or the school district, or both, would be due and payable to the city for deposit in the fund.

MCL 134.20 et al

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would allow the City of Detroit to issue bonds in anticipation of the collection of delinquent taxes. The City of Detroit also could establish procedures for collecting delinquent taxes, imposing interest charges and penalties, and enforcing tax liens. In addition, Detroit could charge the school district a pro rate allocation of the costs associated with the issuance and administration of the notes or bonds, which could be retained from the school district's portion of the proceeds. If the collection of delinquent taxes were not sufficient to pay off the notes or bonds, then the City of Detroit and the school district each would pay its pro rata share of the insufficiency.

Date Completed: 11-24-97

Fiscal Analyst: R. Ross

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