

NOTICE OF TAX DISPUTES

Senate Bill 1320 (Substitute H-1) First Analysis (12-6-00)

Sponsor: Sen. Gary Peters
House Committee: Tax Policy
Senate Committee: Finance

THE APPARENT PROBLEM:

There is at present no formal mechanism for determining how much of the revenue anticipated under the State Education Tax Act may be subject to property tax disputes before the Tax Tribunal, and thus potentially the subject of refunds to taxpayers who win their cases. In cases involving commercial and industrial property, these amounts could be significant. Local officials are made aware when cases go to the tribunal, and some people believe state budget officials and legislators who serve on the Appropriations Committees in the House and Senate should also be aware of them.

THE CONTENT OF THE BILL:

The bill would amend the Tax Tribunal Act in the following ways.

- For petitions filed with the Tax Tribunal in the 2001 tax year and tax years thereafter, the tribunal would be required to compile the total amount in contention for all petitions with \$500,000 or more in taxable value in contention and to forward the amount to the Office of the State Budget in the Department of Management and Budget each quarter, not later than January 31, April 30, July 31, and October 31 of each year. On or before September 1 in each tax year, the DMB would report to the Appropriations Committees the total amount of revenue collected under the State Education Tax Act that is under contention in all appeals forwarded to the state budget office in the tax year.
- The provisions in the act regarding who must be sent copies of petitions in cases before the whole tribunal (that is, not cases before the Residential Property and Small Claims Division) would be rewritten. Copies of petitions appealing a property's state equalized valuation, taxable value, or exempt status would have to be sent by certified mail to the owner of the property or the person responsible for paying taxes, if the owner or other person was the respondent; the certified assessor or board of assessors of the local unit of

government responsible for the assessment, if the respondent; the city clerk, in the case of cities; the township supervisor or clerk, in the case of townships; the secretary of the school board; and the county equalization director and the county clerk. Copies of a petition appealing a special assessment would have to be sent by certified mail to the assessor or board of assessors; the city clerk; or the township supervisor or clerk. A copy of a petition appealing an assessment, decision, or order of the Department of Treasury (i.e., non-property tax appeals) would have to be sent by certified mail to the revenue commissioner or other appropriate official in the department administering the tax being appealed. (These provisions have been described as codifying requirements currently found in the tribunal's rules.)

HOUSE COMMITTEE ACTION:

As passed by the Senate, the bill required the petitioner seeking to invoke the jurisdiction of the Tax Tribunal to send a copy of the petition to the Department of Management and Budget. The substitute adopted by the House Committee on Tax Policy requires the tribunal to compile information for the DMB and only when the amount in contention involved \$500,000 or more in taxable value.

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would have no state fiscal impact. (Fiscal note dated 12-5-00)

ARGUMENTS:

For:

Those who are involved in developing the state budget, including state budget officials and legislators, ought to know about large property tax disputes before the Tax Tribunal. Such disputes could result in a significant reduction in tax revenue, notably revenue from the State Education Tax. That tax is levied on real and

personal property throughout the state with the revenue going to the School Aid Fund. Currently, there is no official mechanism for getting this information to state budget officials and legislators. The bill would require the tribunal to compile information on major cases and report to DMB. The DMB, in turn, would be required to report to the Appropriations Committees of the legislature. The bill applies only to major commercial and industrial property tax disputes. The bill would also clarify in statute the requirements for providing copies of petitions invoking the jurisdiction of the tribunal to interested parties. These requirements are currently in rule. The requirements are extended to disputes involving special assessments. It should be noted that the bill does not apply to cases involving residential property and small claims.

POSITIONS:

There are no positions on the bill.

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.