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## MILLAGE RATES: ROUND DOWN

### House Bill 4020 (Substitute H-1) First Analysis (3-10-99)

**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 (and actual tax bills, for that matter) 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 remove the current language regarding methods of avoiding fractions in computing property taxes, and instead would 1) require the assessor, to avoid fractions, to round down the tax rate to four decimal places, and 2) require that the taxes for each taxing unit be rounded down to the nearest one cent.

MCL 211.39

#### ***BACKGROUND INFORMATION:***

A similar bill, House Bill 5801, passed the House in the 1997-98 legislative session.

#### ***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that "it appears very few local governments actually do this" (that is, round up millage rates), and the agency estimates the revenue impact to local governments at between \$1 million and \$4 million. (Fiscal note dated 3-8-99)

#### ***ARGUMENTS:***

##### ***For:***

The bill proposes to end the practice of "rounding up" tax rates to avoid fractions in computation. Instead, it would require assessors to round down to four decimal places. The aim of the bill is to benefit taxpayers in millage rate calculations and to prevent local units from inflating tax rates. It also requires the rounding down (to the nearest penny) of actual tax bills. Only voters and local governing bodies should raise taxes; they should not be raised in the name of administrative convenience. Rounding off is not necessary given today's computing technology.

##### ***POSITIONS:***

The Department of Treasury has indicated support for the bill. (3-9-99)

The Michigan Assessor's Association supports the bill. (3-9-99)

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.