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Senate Bill 1320 (Substitute S-4 as reported)  
Sponsor: Senator Gary Peters  
Committee: Finance

Date Completed: 10-26-00

### **RATIONALE**

Each year local units of government assess the parcels of property within their respective boundaries. This assessment is the value used to determine the property tax liability of each property owner. If a property owner disputes the assessment, the taxpayer may protest the assessment to the local board of review. If an agreement is not reached between the taxpayer and the local unit, one of the parties may file a petition with the Michigan Tax Tribunal. The Tribunal has original and exclusive jurisdiction in a proceeding for review of a decision, determination, or ruling relating to assessment, valuation, rate, special assessment, allocation, or equalization under the property tax laws. If the taxpayer eventually wins the dispute, the amount of taxes paid in error must be refunded to the taxpayer, with interest.

It has been pointed out that the State has no mechanism for determining in any given year how much of the revenue collected under the State Education Tax Act may be the subject of disputes before the Tribunal, and therefore potentially subject to subsequent refunding to taxpayers. Revenue collected under the State education tax is deposited in the State School Aid Fund for distribution to the State's public schools. Some people believe that the State should have a way to determine the amount of revenue under the tax that is subject to dispute.

### **CONTENT**

**The bill would amend the Tax Tribunal Act to provide that certain petitions regarding property tax assessment disputes, and appeals of Department of Treasury actions, would have to be sent to the Department of Management and Budget (DMB) or the Department of Treasury, respectively. Further, the bill would revise current provisions regarding the mailing of petitions to various local officials; and prescribe requirements for mailing petitions appealing special assessments.** (None of the bill's provisions would apply to petitions filed in the Residential Property and Small Claims Division of the Tax

Tribunal.)

Under the bill, a copy of a petition to invoke the jurisdiction of the Tax Tribunal in an assessment dispute would have to be sent by first-class mail to the DMB for each tax year beginning with the 2001 tax year. By September 1 each year, the DMB would have to report to the Senate and House Appropriations Committees the total amount of revenue collected under the State Education Tax Act that was under contention in all appeals filed in the tax year.

In addition, the Act provides that a taxpayer may appeal an assessment, decision, or order of the Department of Treasury to the Tax Tribunal. Under the bill, a copy of the petition would have to be sent by certified mail to the Revenue Commissioner or the appropriate Treasury official who administered the tax being appealed.

The bill also would require that a copy of a petition appealing a special assessment be sent by certified mail to the certified assessor or board of assessors of the local unit responsible for the special assessment, if that assessor or board of assessors were the respondent; to the city clerk, in the case of cities; and to the township supervisor or clerk, in the case of townships.

Currently, in assessment disputes, service of a petition must be mailed to the assessor of the local unit of government, if the local unit is the respondent; a copy of a petition also must be sent to the school board in the district where the property is located, and the clerk of any county that may be affected. The bill specifies, instead, that a copy of a petition appealing a property's State equalized valuation, taxable value, or exempt status would have to be sent by certified mail to the following: the owner of the property or the person responsible for the payment of the property taxes, if that owner or person were the respondent; the certified assessor

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or board of assessors of the local unit responsible for the assessment, if that assessor or board were the respondent; the city clerk, in the case of cities; and the township supervisor or clerk, in the case of townships. A copy of the petition also would have to be sent by first-class mail to the secretary of the school board in the district where the property was located, and the county equalization director and the clerk of any county that could be affected.

MCL 205.735

## **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

### **Supporting Argument**

Under the State Education Tax Act, local units levy six mills on all nonexempt property. The revenue is collected by the local units, forwarded to the Department of Treasury, and placed in the State School Aid Fund to fund, in large part, the annual payments made to local school districts. When a taxpayer disagrees with an assessment on his or her property, the dispute may end up before the Tax Tribunal if the issue cannot be resolved at the local level. While a local unit will know, for its own purposes, which disputes have gone to the Tribunal and the amount of potential revenue involved in them, the State has no way to determine disputed amounts that involve the collection of the State education tax. Because of the total money collected statewide under the tax, disagreements involving individual residential taxpayers are insignificant; however, if a large commercial or industrial taxpayer has an assessment dispute before the Tribunal, the amount of taxes involved may be substantial, particularly if the disagreement involves assessments made over multiple years. For budgeting purposes, the State should be aware of the amount of the State education tax that is subject to dispute, and therefore has the potential to be lost.

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: J. Runnels