

## ALLOW P.A. 198 ADMIN FEES

### House Bill 4156 (Substitute H-1) First Analysis (3-21-01)

**Sponsor: Rep. Gary Woronchak**  
**Committee: Commerce**

#### ***THE APPARENT PROBLEM:***

When manufacturing companies receive property tax abatements from local units of government under the Plant Rehabilitation and Industrial Development Districts Act (often referred to as P.A. 198), they pay what is called a specific tax that is levied in lieu of the standard property tax. (The specific tax is known as the industrial facility tax, and P.A. 198 says that it is to be paid "at the same times, in the same installments, and to the same officer or officers as taxes imposed under the General Property Tax Act.")

Under the General Property Tax Act, the local tax collecting unit is allowed to impose an administrative fee on top of the taxes in an amount equal to up to one percent of the total tax bill on a parcel of property. The local unit must adopt such a fee by resolution or ordinance. The fee is defined as a fee to offset costs incurred by a collecting unit in assessing property values, in collecting taxes, and in the review and appeal processes. According to a representative of the Michigan Municipal League, "the practice since P.A. 198 was enacted has been that local units that imposed the property tax administration fee also imposed it on tax-abated property." In January of 2000, however, the Michigan Tax Tribunal ruled in Guardian Industries v Twp. Of Ash that the administrative fee should not be levied on top of the P.A. 198 specific tax since the act does not provide for such a fee and the property on which the specific tax is paid is exempt from ad valorem taxes under the General Property Tax Act.

#### ***THE CONTENT OF THE BILL:***

The bill would amend the Plant Rehabilitation and Industrial Development Districts Act (Public Act 198 of 1974, MCL 207.561) to specify that an annual administrative fee could be levied along with the specific tax that is levied under the act in lieu of property taxes. The bill would provide for the imposition of an administrative fee "calculated in the same manner and at the same rate that the local tax collecting unit imposes on ad valorem taxes collected under the General Property Tax Act." (The General Property Tax Act allows for the local tax collecting unit to levy a fee of up to one percent of the tax bill.)

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

According to the House Fiscal Agency, the industrial facilities tax is expected to raise \$154 million in fiscal year 2000-2001. Thus, the administrative fee could total as much as \$1.54 million if imposed by local governments. (3-21-01)

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

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

Representatives of local government say it has been a longstanding practice for tax collecting units to levy an administrative fee on property paying the industrial facilities tax in the same manner as they levy the fee when collecting standard property taxes. The Michigan Tax Tribunal, however, has recently disallowed this practice on the grounds that the act under which manufacturing facilities receive property tax abatements does not specifically provide for the levying of an administrative fee. The bill would put such authorization into the proper tax statute, the Plant Rehabilitation and Industrial Development Districts Act, or P.A. 198 of 1974. Proponents say that this should not be viewed as a case of a new fee being imposed on taxpayers since the fee has been imposed in some communities for the past 20 years. The bill would simply treat taxpayers under the General Property Act and P.A. 198 equally.

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

The Michigan Municipal League supports the bill. (3-20-01)

The Michigan Assessors Association has indicated support for the bill. (3-20-01)

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.