Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1185 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Nancy Cassis
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to require the State Tax Commission, if it determined that property had been incorrectly reported or omitted in any of the previous tax years designated in the bill, to issue an order to the local treasurer in possession of the tax roll being amended, requiring the revision of the assessed value and taxable value for each year the property was incorrectly reported or omitted.

The bill also would do the following in regard to the corrected tax bill of a person who failed to file a statement of personal property, or who omitted or incorrectly reported personal property:

-- Change the rate of interest from 1.25% per month to the rate provided for in the Tax Tribunal Act (which is based on the average auction rate of 91-day discount treasury bills in the immediately preceding State fiscal year, plus 1%).
-- Allow the Tax Commission to impose a penalty of 1% per month of the resulting tax bill.
-- Require the Commission to waive the penalty under certain circumstances.
-- Permit the local taxing authority to waive all or part of the penalty.

MCL 211.154 Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would reduce State and local revenue. The bill would reduce the effective interest rate applied to certain property tax bills, and in some cases, change the length of time interest is applied to outstanding balances. The degree of the reduction is somewhat unclear because in one subsection the bill indicates that the new penalty and interest "may" be applied, while in another section it indicates that they "shall" be applied. Furthermore, the bill would allow a local assessor to waive a portion of the penalty, and it is unknown to what extent such waivers would occur.

Under current law, interest payments are distributed in the same proportion as the tax revenue is distributed. However, the bill would assess a separate penalty but does not specify how the penalty would be distributed. To the extent that the interest rate was lower than under current law, interest payments would be lowered under the bill. If the penalty were distributed in a different manner than the distribution of interest payments, the bill would change the distribution of the reductions under the bill.

It is also unknown how much penalty and interest will be assessed on notifications pending before the State Tax Commission as of December 29, 2003, if the bill is not enacted. The bill would eliminate any penalty and interest on the taxes associated with those assessments.

Date Completed: 11-9-04 Fiscal Analyst: David Zin