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 348 (as introduced 3-24-05)
Sponsor: Senator Nancy Cassis
Committee: Finance

Date Completed: 4-26-05

CONTENT

The bill would amend the General Property Tax Act to increase from $25,000 to $45,000 the maximum household income of a taxpayer who is eligible to defer the collection of the summer property taxes.

Under the Act, a local unit of government that collects a summer property tax claimed against the homestead of a taxpayer must defer until the following February 15 the collection of summer property taxes for which a deferral is claimed by a taxpayer who had a total household income of $25,000, or less, for the prior taxable year and who is a totally and permanently disabled person, blind person, paraplegic, quadriplegic, eligible serviceperson, eligible veteran, or eligible widow or widower, or who is 62 years of age or older.

Under the bill, the taxpayer's total household income for the prior taxable year would have to be $45,000 or less in 2006 and each subsequent year.

The bill also would refer to a taxpayer's "principal residence" rather than "homestead". "Principal residence" would mean property exempt under Section 7cc of the Act (which provides for the homestead exemption).

In addition, the bill would change references to a "property tax collecting unit" to a "local property tax collecting unit".

MCL 211.51 Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would alter the timing of the collection of a portion of property tax revenue. As a result, the bill would result in both an impact on cash flow for some local units and a one-time reduction in revenue for the State as well as for some local units where the delay would push the payment into a different fiscal year.

It is unknown how many additional taxpayers would qualify for the deferral, as well as how many taxpayers who qualified would pursue a deferment and how much the deferred summer tax levy would total. Based upon assumptions for these factors, however, it is estimated that the bill would reduce State education tax revenue to the School Aid Fund by approximately $5.4 million to $7.3 million in FY 2005-06. Under these assumptions, the bill would defer approximately $37.4 million to $50.1 million in local unit revenue. For local units on a July-to-June fiscal year, this deferral would only affect cash flow, by delaying the receipt of payments from earlier in the fiscal year until later. However, local units on an October-to-September fiscal year, or a fiscal year that matches the calendar year, likely would experience a one-time revenue loss in fiscal year 2005-06.

The Department of Treasury estimates that changing the income ceiling to $35,000, compared with the $45,000 under the bill, would result in approximately 11,500 additional deferrals totaling approximately $20.0 million, and would reduce School Aid Fund revenue by approximately $4.0 million in FY 2005-06.

This analysis is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin