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BILL ANALYSIS

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Senate Bill 1239 (Substitute S-2 as reported)
Sponsor: Senator Cameron S. Brown
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to require a county that elected to audit property tax exemptions for principal residences to make a subsequent election to audit exemptions every five years instead of two, beginning in 2009. The election would have to require five annual audit periods, rather than two.

Under the Act, a county may elect to audit the exemptions claimed for a principal residence under Section 7cc in all local tax collecting units located in that county. The initial election to audit exemptions must require an audit period of two years. Subsequent elections to audit exemptions must be made every two years and must require two annual audit periods. The bill would change the election requirement as described above.

A county must make an election to audit exemptions by submitting an election to audit form to the assessor of each local tax collecting unit in that county and to the Department of Treasury by October 1 in the year in which an election to audit is made. Under the bill, a county would have to submit the form by April 1 preceding October 1 in the year in which an election to audit was made.

(Under 7cc of the Act, a principal residence is exempt from the tax levied by a school district for school operating purposes to the extent provided under the Revised School Code.)

MCL 211.7cc　　　　Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill likely would have a minimal impact on both State and local revenue and State and local expenditures. Because the bill would require a longer time commitment to perform audits, local units that elected to perform the audits themselves potentially would have higher expenditures while the State would face lower expenditures. Similarly, it is possible that fewer local units would elect to perform the audits, reducing local unit expenditures and increasing State expenditures.

Interest assessed as a result of the audits is distributed differently depending on the entity that denies an exemption. As a result, if the bill altered the entity performing the audits, the distribution of revenue also would be changed. To the extent that the State performed more audits, local units would receive less revenue from the interest and the State would receive more. Conversely, if the State performed fewer audits because more were performed at the local level, the State would receive less revenue and local units would receive more revenue.

Date Completed: 5-22-08　　　　Fiscal Analyst: David Zin