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BILL



ANALYSIS

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House Bill 5621 (Substitute H-1 as reported without amendment)
Sponsor: Representative Kate Ebli
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 1-25-10

RATIONALE

The General Property Tax Act sets forth procedures under which certain mistakes affecting property assessments, called "qualified errors", can be corrected at the local level. When the city or township board of review approves a qualified error, a corrected tax bill for the current year is issued. Qualified errors tend to be of a clerical nature, and include such things as a mistake concerning assessment figures and a mathematical miscalculation. A 2008 amendment to the definition of "qualified error" added other types of mistakes, such as an error of measurement, the omission of part of the property being assessed, and an error regarding the taxable status of real property. These additional qualified errors only applied, however, to determinations made by a board of review in 2006 through 2009. It has now been suggested that these mistakes should continue to be considered qualified errors.

CONTENT

The bill would amend the General Property Tax Act to retain certain errors as qualified errors eligible for correction, and revise the year in which a correction may be made.

Under the Act, if a qualified error has occurred, it must be verified by the local assessing officer and approved by the board of review. If the error is approved, the board must file an affidavit with the proper officials, and all affected official records must be corrected. If the qualified error results in an overpayment or underpayment, a rebate must be made to the taxpayer or

the taxpayer must be notified and make payment.

For board of review determinations in 2006 through 2009, the definition of "qualified error" included the following:

- An error of measurement or calculation of the physical dimensions or components of the real property being assessed.
- An error of omission or inclusion of a part of the real property being assessed.
- An error regarding the correct taxable status of the real property being assessed.
- An error made by the taxpayer in preparing the statement of assessable personal property required under the Act.

Under the bill, those errors would continue to constitute qualified errors.

("Qualified error" also means one or more of the following:

- A clerical error relative to the correct assessment figures, the rate of taxation, or the mathematical computation relating to the assessing of taxes.
- A mutual mistake of fact.
- An exemption made for a qualified start-up business or an adjustment in the taxable value of property following transfer of ownership.)

Currently, as a rule, a correction for a qualified error may be made in the year in which the error was made or in the following year. Under the bill, instead, a correction

could be made for the current year and the immediately preceding year only.

MCL 211.53b

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 General Property Tax Act, a city or township board of review meets each year in July and December for the purpose of approving qualified errors in the assessment of property. At these meetings, the local assessor discusses the qualified errors that he or she has verified and requests the board to review them. Typically, a qualified error is a mistake made by an assessor in the valuation of property that results in an excessive property tax bill. Once the error is approved by the board of review, the city or township issues a corrected tax bill for the current tax year, and the matter is resolved. If a mistake is not considered a qualified error, it also can be addressed at the local level but only prospectively; a corrected tax bill cannot be issued. Also, some types of errors, such as improper property descriptions, can be brought to the attention of the State Tax Commission, which can order a corrected tax bill, and other matters can be appealed to the State Tax Tribunal, but the process for doing so can be rather lengthy. Thus, the categorization of mistakes as qualified errors simplifies things for both taxpayers and assessors.

When the amendment expanding the definition of "qualified error" was enacted, the change applied only for several years because its impact could not be predicted. Now that it has been successfully implemented, the bill would retain the additional types of qualified errors without a sunset. The bill also would clarify that a correction could be made only for the current year and the one before it.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would likely reduce both local property revenue and the School Aid Fund, and increase School Aid Fund expenditures,

by an unknown but likely minimal amount. The exact amount would depend upon the specific characteristics of the properties affected by the bill. Under current law, fewer events will meet the definition of "qualified error" beginning in 2010, and the bill would eliminate that sunset. To the extent the bill resulted in lower property tax revenue to local school districts, School Aid Fund expenditures would need to increase in order to maintain per-pupil funding guarantees.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.