



Senate Fiscal Agency  
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BILL



ANALYSIS

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House Bill 5340 (as passed by the House)

Sponsor: Representative Jud Gilbert, II

House Committee: Tax Policy

Senate Committee: Finance

Date Completed: 6-5-12

### **CONTENT**

**The bill would amend the Tax Tribunal Act to provide that interest on judgments of the Tax Tribunal would accrue at two percentage points above the adjusted prime rate, instead of the rate currently prescribed.**

Under the Act, if the Tax Tribunal determines that an amount was unlawfully paid or underpaid, that amount bears interest from the date of payment to the date of judgment, and the judgment bears interest to the date it is paid (although an amount that was underpaid does not begin to bear interest before 28 days after the Tribunal's decision).

Interest accrues at a rate set each year based on the average auction rate of 91-day discount Treasury bills in the prior State fiscal year, as certified by the Department of Treasury, plus 1%. Under the bill, this would apply before July 1, 2012.

After June 30, 2012, interest would accrue at two percentage points above the adjusted prime rate. "Adjusted prime rate" would mean the average predominant prime rate quoted by at least three commercial banks to large businesses, as determined by the Department. The adjusted prime rate would be based on the average prime rate charged by at least three commercial banks during the six-month periods ending on March 31 and September 30. Two percentage points would have to be added to the adjusted prime rate and the resulting sum would have to be divided by 12 to establish the current monthly interest rate. The resulting current monthly interest rate based on the six-month period ending March 31 would become effective on the following July 1, and the resulting current monthly interest rate based on the six-month period ending September 30 would become effective on January 1 of the following year.

MCL 205.737

### **BACKGROUND**

The Tax Tribunal is a quasijudicial agency in the Department of Licensing and Regulatory Affairs. The Tribunal has exclusive jurisdiction over proceedings for the direct review of a final decision, determination, ruling, or order of an agency relating to assessment, valuation, rates, special assessment, allocation, or equalization, as well as proceedings for a refund or redetermination, under the property tax laws of the State.

The Residential Property and Small Claims Division of the Tax Tribunal has jurisdiction over proceedings involving residential property, as well as nonresidential property if the amount of that property's taxable value or State equalized valuation in dispute is not more than \$100,000. The Division also has jurisdiction over proceedings involving the appeal of any other tax over which the Tribunal has jurisdiction, if the amount in dispute is \$20,000 or less. (That amount was set in 2008 and must be adjusted annually for inflation.)

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The interest rate in effect for 2012 tax underpayments or overpayments determined by Tax Tribunal decisions is 1.09%. Under the bill, this interest rate would increase to the prime rate (currently 3.25%) plus 2.0% or 5.25% beginning July 1, 2012. The rate would be determined twice a year. The rate change would increase the costs to the State or local governments that owe refunds of overpayments and would increase the revenue from interest payments on underpayments. The amount of revenue change is not known and would depend on individual decisions by the Tax Tribunal.

Fiscal Analyst: Elizabeth Pratt

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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.