

Legislative Analysis



TAX COLLECTING AGREEMENTS

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House Bill 5160

Sponsor: Rep. Amanda Price

Committee: Local Government

First Analysis (2-25-14)

BRIEF SUMMARY: Under the bill, the officers of a city, township, or village could enter into an agreement with the county treasurer to administer their tax collection functions, if the agreement was approved by the county board of commissioners.

FISCAL IMPACT: As written, the bill would have no impact on state or local revenues and administrative costs. The bill provides for counties to retain local property tax administration fees, and also allows for additional compensation to be negotiated between the county and the local unit.

THE APPARENT PROBLEM:

In September 2011, the governor declared a financial emergency for the City of Pontiac in Oakland County, and appointed an emergency financial manager. Two months later, the EFM, Louis Schimmel, released a plan to consolidate or outsource many city services. Schimmel—exercising near complete authority and control over city government—fired the city clerk, the city attorney, and the director of public works in a major realignment of city services. The city's law department was privatized, fire services were consolidated with a local township, vital records were transferred to Oakland County, and the Oakland County Clerk provided assistance with elections. These were among the first of many changes in city governance. See **Background Information**.

According to committee testimony, the Pontiac EFM approached the Oakland county treasurer to inquire whether the county treasurer would, with the approval of the Oakland County Board of Commissioners, assist the cash-strapped City of Pontiac by collecting the city's taxes. However, county corporation counsel advised that Michigan statutes do not explicitly allow a county treasurer to take over tax collections in a city.

Legislation has been introduced to encourage intergovernmental cooperation, and enable (but not require) county treasurers to collect the taxes of local governments, under certain circumstances.

THE CONTENT OF THE BILL:

House Bill 5160 would amend Public Act 160 of 1972 (MCL 211.731) to allow county treasurers to collect local taxes on behalf of cities, villages, or townships. A more detailed description of the bill follows.

House Bill 5160 specifies that the officers of a city, township, or village may enter into an agreement with the county treasurer to administer the tax collection functions on behalf of the city, village, or township. Before taking effect, the agreement would have to be approved by the local government's governing body, and by the board of county commissioners.

Under the bill, an agreement would have to provide for all of the following:

- a description of the tax collection functions to be administered by the county treasurer;
- the effective date and term of the agreement;
- the employer of the personnel and staff necessary to do the work;
- a statement to ensure that funds of the city, village, or township would remain funds of the city, village, or township;
- the manner in which any property, facilities, equipment, or data would be made available to the county treasurer;
- a statement describing payment for services, including, but not limited to, retention by the county treasurer of the local property tax administration fees; and
- other legal, financial, and administrative arrangements necessary to facilitate the agreement.

The bill specifies that a county treasurer (and employees) who administered tax collection functions under an agreement would not be deemed to hold a public office of a city, village, or township.

Further, under the bill, before taking effect an agreement would have to be filed with the county clerk and the state treasurer.

Finally, the bill specifies that an agreement would not be required to comply with the provision of the Urban Cooperation Act of 1967.

Definitions. The bill would define "collection functions" to mean the powers, duties, rights, obligations, functions, and responsibilities administered by a city, village, or township as a tax collecting unit relating to a tax after the certification of the tax roll and before the tax is returned as delinquent, including, but not limited to, billing, adjustment, collection, return disbursement, reconciliation, and settlement.

The bill would define "tax" to include a tax collected under the General Property Tax Act, or the State Education Tax Act, a specific tax authorized under the laws of this state and levied on real or personal property, a special assessment authorized under the laws of this state and assessed on real or personal property, and associated penalties, fees, interest, and charges authorized under the laws of this state.

BACKGROUND INFORMATION:

To learn more about the realignment plan of the emergency financial manager in Pontiac, Michigan, see an article in *Governing Magazine* by clicking on the following link:

<http://www.governing.com/topics/mgmt/gov-emergency-financial-managers-michigan-municipalities-unwelcome-savior.html>

ARGUMENTS:

For:

This bill would allow—but not require—county treasurers to collect the taxes in cities, villages, or townships, in the event of a financial emergency, or a sudden vacancy in office, if they were requested to do so, and that request was approved by the county board of commissioners. The bill would allow the cash-strapped City of Pontiac and others to consolidate their services, and more efficiently use tax revenue.

Against:

One opponent of the legislation expressed concern that county treasurers are already responsible to collect back taxes on all tax-forfeited properties, regardless of their location in a county. That opponent argued this bill would further expand the county treasurer's power to foreclose on citizen's homes, and deprive them of their property.

Response:

The bill is not intended to alter in any way the property tax forfeiture process, which is described in the General Property Tax Act.

POSITIONS:

The Michigan Department of Treasury supports the bill. (2-20-14)

The Michigan Association of Counties supports the bill. (2-20-14)

The Michigan Association of County Treasurers supports the bill. (2-13-14)

Oakland County supports the bill. (2-20-14)

The Michigan Townships Association supports the bill. (2-13-14)

Taxpayers United opposes the bill. (2-13-14)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.