



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 562 (as introduced 10-1-13)  
Sponsor: Senator Tonya Schuitmaker  
Senate Committee: Finance  
House Committee: Tax Policy

**PUBLIC ACT 126 of 2014**

Date Completed: 1-6-15

**CONTENT**

**The bill amended the General Property Tax Act to do the following:**

- **Provide that uncollected delinquent taxes due to a county from a local taxing unit or the State are a lien against future delinquent tax payments payable to a local unit or the State.**
- **Provide that a decrease in the interest rate on delinquent taxes owed by a taxing unit does not apply to borrowing against those taxes that occurred before the rate was reduced.**

The bill took effect on May 20, 2014.

The Act allows a county board of commissioners to create a delinquent tax revolving fund. When the fund is established, all delinquent taxes, except taxes on personal property, due and payable to the taxing units in the county, except those that collect their own delinquent taxes after March 1, are due and payable to the county. The local taxing units are obligated to pay to the county the amount of taxes and the interest on them, and the State is obligated to pay the State Education Tax to the county. If the county does not receive the delinquent taxes for any reason, it has full right of recourse against the taxing unit or the State, as applicable, to recover the amount of the taxes and interest.

After sufficient funds have been deposited into the delinquent tax revolving fund, the county treasurer is required to pay from the fund any or all delinquent taxes that are due to the county and any school district, intermediate school district, community college district, city, township, special assessment district, the State, or any other political unit for which delinquent tax payments are due, within the time frame specified in the Act.

Under the bill, any amount that is due from a local taxing unit or the State for a prior year's uncollected delinquent tax is a lien against future delinquent tax payments that may be payable to a local taxing unit or the State. The lien must be satisfied by offsetting the amount due to the county from the local taxing unit or the State when the county makes distributions from the delinquent tax revolving fund to the local taxing unit or the State in a subsequent year.

Previously, the interest rate on the delinquent taxes was "up to" 1.0% per month. Under the bill, instead, the interest rate is 1.0% per month or a lower rate as established by resolution of the board of commissioners. The bill specifies that, if the board of commissioners reduces

the interest rate on the recovery of uncollected delinquent taxes, that decrease will not apply to any year's delinquent taxes when borrowing against those taxes occurred before the board adopted a resolution to reduce the interest rate.

MCL 211.87b

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill will change the timing of local unit revenue by an unknown amount. The bill allows distributions to local units or the State from a delinquent tax revolving fund to be reduced by the amount of any delinquent amount due from that local unit or the State. The number of times this circumstance will arise is unknown and the magnitude of any timing changes under the bill will depend on the specific characteristics of the affected liabilities.

The option to reduce the interest rate on delinquent taxes will reduce local unit revenue by an unknown and likely minimal amount. It is unknown how many local units will adopt the resolution to lower the interest rate, or the specific characteristics of the delinquencies that will be affected.

Fiscal Analyst: David Zin

S1314\S562es

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.