

COUNTY TAX DELINQUENT FUND

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Senate Bill 582 (H-3, as reported from House Committee)

Senate Bill 583 (H-2, as reported from House Committee)

Sponsor: Sen. Jack Brandenburg

House Committee: Tax Policy

Senate Committee: Finance

Complete to 3-22-16

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Acts 82 and 83 of 2016)

BRIEF HOUSE FLOOR SUMMARY:

Senate Bill 582 would amend the General Property Tax Act to address county delinquent tax revolving funds. Notably, it would create a new Section 87f that allows for issuing of delinquent tax revolving notes as revenue bonds rather than general obligation bonds. Senate Bill 583 would make complementary amendments to the Revenue Bond Act.

Under the General Property Tax Act, a county board of commissioners can create a delinquent tax revolving fund, to be used to pay a local tax collecting unit the amount of delinquent taxes that are owed to the local unit. In exchange, the delinquent local taxes, including interest, are payable to the county. The county is protected from losses because the local tax units remain obligated to repay the money borrowed from the fund to the county treasurer if the delinquent taxes are totally uncollectable. Senate Bills 582 and 583 are intended to address cases where a county is in financial difficulty; they allow for bonds to be issued as revenue-supported rather than as general obligation bonds backed by the full faith and credit of the county, so as to reassure investors of their safety in extreme circumstances, such as a bankruptcy.

In brief, Senate Bill 582 would amend the General Property Tax Act to do the following:

- Create a new Section 87f under which counties could, by resolution by the board of commissioners, continue a delinquent tax revolving fund created under the existing provisions, and issue delinquent tax revolving notes under the Revenue Bond Act.
- Require a county treasurer to keep any money or assets in a delinquent tax revolving fund separate from any other money, property, or assets in the custody of the county treasurer.
- Prohibit the county from using the money in the fund for any purpose except paying specific local units, as outlined in the act.
- Provide that payment from the fund surplus to the county treasurer could not begin until after payment of the principal and of interest on issued notes and the expenses of borrowing to establish or continue the fund.

As noted earlier Senate Bill 583 would amend the Revenue Bond Act to make complementary amendments to allow for the issuance of delinquent tax notes. For example, the title of the act would be amended to refer to delinquent tax systems and several essential definitions would be added. The process for issuing delinquent tax notes is spelled out in detail. Numerous provisions mirror those found in the General Property Tax Act regarding delinquent taxes.

FISCAL IMPACT:

As written, the bills would have no effect on state revenues or expenditures, but potentially could reduce borrowing costs for county tax delinquent systems by providing for a new financing mechanism for delinquent tax notes.

POSITIONS:

Among those indicating support for the bills on 3-16-16 were the Michigan Department of Treasury, Wayne County, and the Wayne County Treasurer. The Michigan Association of County Treasurers indicated support on 3-9-16.

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