

Legislative Analysis



DELINQUENT TAX REVOLVING FUNDS

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House Bill 4136 as introduced
Sponsor: Rep. Jim Tedder
Committee: Tax Policy
Complete to 2-13-17

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

SUMMARY:

House Bill 4136 would amend the General Property Tax Act (MCL 211.87b & 87f) to make the following amendments regarding delinquent tax revolving tax funds (DTRF), which are funds created by county boards of commissioners and administered by the county treasurers.

- The bill would require, generally, that a DTRF be segregated into **separate funds or accounts** according to the year of the delinquent taxes.
- For any county that elects to borrow using the provisions in Section 87f, that county must create a **separate DTRF** for each year's delinquent taxes.
- Section 87f was added to the law in 2016 to allow for the issuing of delinquent tax revolving notes as revenue bonds rather than as general obligation bonds.¹ Section 87f allows counties, by resolution by the board of commissioners, to continue a delinquent tax revolving fund created under the old provisions, but instead issue delinquent tax revolving notes under the Revenue Bond Act. That new section said that its provisions superseded certain existing sections dealing with revolving funds. House Bill 4136 would amend that new section to make it clear that all of the powers granted to county treasurers under those older sections still apply and were not to be superseded by the new Section 87f.

Generally speaking, DTRFs are created to smooth revenue collection for local units of government. In the event of a tax delinquency, the county will forward the amount of the delinquency to the local unit of government. The county then directly collects the delinquent tax revenue, including interest and an administrative fee. Counties can also borrow money against future DTRF collections by issuing revolving fund notes, and use the money raised to establish or continue the fund, and pay for the expenses of borrowing.

FISCAL IMPACT:

The bill would have no fiscal impact on state or local government.

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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.

¹ See <http://www.legislature.mi.gov/documents/2015-2016/billanalysis/House/pdf/2015-HLA-0582-262FE0FE.pdf>