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BILL



ANALYSIS

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House Bill 4136 (as passed by the House)  
Sponsor: Representative Jim Tedder  
House Committee: Tax Policy  
Senate Committee: Finance

Date Completed: 3-13-17

### **CONTENT**

**The bill would amend the General Property Tax Act to require a delinquent tax revolving fund to be segregated into separate funds or accounts for each year's delinquent taxes, and require a separate delinquent tax revolving fund to be created for each year's delinquent taxes in any county that elects to borrow under Section 87f (which allows counties to issue delinquent tax revolving notes under the Revenue Bond Act).**

Section 87b of the General Property Tax Act allows a county board of commissioners, on behalf of the taxing units in the county and, for the purposes of the State Education Tax, the State, 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 units that collect their own delinquent taxes after March 1, are due and payable to the county on behalf of the taxing units in the county and the State. Money and other property and assets held in the fund must be kept separate from and may not be commingled with any other money, property, or assets in the custody of the county treasurer.

The county has no right, title, or interest in the delinquent tax revolving fund except for the right to payment. If the county determines to borrow under Section 87c or 87d (described below), that borrowing must be done on behalf of the county and its taxing units.

The bill would require a delinquent tax revolving fund to be segregated into separate funds or accounts for each year's delinquent taxes. Currently, a separate delinquent tax revolving fund must be created for each year's delinquent taxes. Under the bill, a separate delinquent tax revolving fund would have to be created for each year's delinquent taxes in any county that elected to borrow under Section 87f.

In addition, the bill specifies that all powers granted to a county treasurer under Sections 87b and 87c would not be superseded by Section 87f as to a delinquent tax revolving fund.

MCL 211.87b & 211.87f

### **BACKGROUND**

Section 87b of the General Property Tax Act allows the county board of commissioners of any county to create a delinquent tax revolving fund. The county-operated fund is used to pay a local tax collecting unit the amount of delinquent taxes that are owed to the local unit. In exchange, all delinquent 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. A county may issue general obligation bonds to keep its delinquent tax fund healthy.

Section 87b also allows a county to borrow money to create and maintain a delinquent tax revolving fund under Section 87c or 87d, or both. Section 87c allows a county that has created a fund to borrow money and issue notes to establish or continue the fund and to pay the expenses of borrowing. The notes are secured by a pledge of the delinquent taxes to be collected. Section 87d allows a county to submit to its voters the question of establishing a delinquent tax revolving fund and issuing revolving fund notes.

Public Act 82 of 2016 enacted Section 87f to allow counties to issue delinquent tax revolving notes under the Revenue Bond Act. The county board of commissioners of a county that has created a delinquent tax revolving fund under Section 87b may continue the fund under Section 87f. Section 87f supersedes Sections 87b and 87c as to a delinquent tax revolving fund continued under Section 87f.

Legislative Analyst: Drew Krogulecki

### **FISCAL IMPACT**

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

Fiscal Analyst: Elizabeth Pratt