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BILL ANALYSIS

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Senate Bill 943 (as introduced 5-28-20)
Sponsor: Senator Peter MacGregor
Committee: Appropriations

Date Completed: 6-23-20

CONTENT

The bill would amend the General Property Tax Act to prohibit local tax collecting units from imposing interest, penalties, or late charges on taxes levied in summer 2020 that were paid on or before September 30, 2020. The bill specifies that any property taxes that remained unpaid after September 30, 2020, would be returned to the county treasurer as delinquent on October 1, 2020. For taxpayers who entered into a payment plan with the local tax collecting unit and paid at least $50 of the summer 2020 property taxes, the bill would not allow the local tax collecting unit to return the unpaid portion as delinquent provided the remaining balance was paid on or before the last day that winter 2020 property taxes were due.

The bill states that it is the intent of the Legislature to appropriate sufficient General Fund revenue to compensate counties for any additional borrowing costs associated with the early return of delinquent taxes.

The bill is tie-barred to House Bill 5761.

MCL 211.78a

FISCAL IMPACT

Under current law, unpaid summer 2020 property taxes will collect interest, penalties, and late fees until March 1, 2021, at which point they will be returned to the county treasurer as unpaid. Once the unpaid taxes are returned to the county treasurer as unpaid, the county pays the local unit the amount of delinquent taxes and takes over the collection of the taxes. Counties maintain revolving funds to deposit the collected delinquent taxes along with interest, fees, and penalties, and to make the payments to local units when the unpaid taxes are returned as delinquent. At any given time, if the funds in the delinquent tax revolving fund are insufficient to reimburse local units for unpaid taxes returned to them, the county must borrow to cover the difference. In normal practice, the interest and fees collected from taxpayers are enough to cover at least the borrowing costs of the fund.

The bill would prohibit a local tax collecting unit from imposing interest, penalties, or late charges on taxes levied in summer 2020 and would require local units to return them to the county treasurer as unpaid on October 1, 2020, instead of on March 1, 2021. The change would reduce revenue to local units by the amount of foregone interest, penalties, and late fees that otherwise would be collected; however, the changes would allow local units to be reimbursed by the county for unpaid taxes five months sooner than under current law.

Because of the different impacts of these effects, it is unknown whether any given local unit would experience a positive or a negative fiscal impact.

Counties generally would have to make greater payments from their delinquent tax revolving funds under the bill, as presumably more property taxes would remain unpaid on October 1 than would be unpaid March 1. However, counties also would be able to charge interest and fees on the unpaid taxes from the earlier date, which would reduce the impact of the additional payments over the long-term. If the State appropriated enough to reimburse counties for the added borrowing costs, that would prevent a negative fiscal impact for the counties, although it would result in a negative fiscal impact for the State.

Summer property tax levies total approximately $10.6 billion. It is unknown how many taxpayers would defer the payment of taxes, but since no interest, penalties, or fees could be charged on taxed paid by September 30, 2020, it would be reasonable to expect many taxpayers to delay payment at least until that date.

Finally, the bill refers to Section 78t regarding the collection of fees and interest charges on summer 2020 taxes returned delinquent. This section was added by House Bill 5761 as introduced, but was removed in the version that passed the House. As such, it is unclear how fees and interest charges would be handled for taxes returned delinquent to the county treasurer.

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