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

BILL ANALYSIS

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

Senate Bill 243 (Substitute S-1 as reported)
Sponsor: Senator Michael D. MacDonald
Committee: Appropriations

CONTENT

The bill would amend the General Property Tax Act to allow the owner of qualified pandemic-affected real property to apply to the Department of Treasury to have the State pay eligible interest, penalties, or fees charged to that property for unpaid summer 2020 property taxes.

The Department of Treasury would have until May 3, 2021, to develop an application form and make it available to the public. Applicants would have until May 17, 2021, to submit applications. If the application were approved, the Department would have to make a payment by May 31, 2021, on behalf of the applicant, to the county treasurer in an amount equal to the unpaid interest or penalties. The Department's criteria for determining payment eligibility would need to be narrowly tailored to determining only whether the property was qualified pandemic-affected real property and the amount of eligible interest, penalties, or fees charged to that property for unpaid summer 2020 property taxes.

The bill would define "eligible interest, penalties, or fees" to mean the sum of:

-- Any unpaid interest charged under the Act or local charter to qualified pandemic-affected real property for unpaid summer 2020 property taxes.
-- Any unpaid interest or fees charged under Section 78a(3) (which refers to a county property tax administration fee) to qualified pandemic-affected real property returned as delinquent, to the extent that the unpaid interest and fees are attributable to unpaid summer 2020 property taxes.

"Qualified pandemic-affected real property" would mean real property that meets all of the following:

-- Is either the owner's principal residence or is used primarily for the operation of an eligible business that experienced economic hardship as a result of the COVID-19 pandemic or the government's response to the pandemic, or both.
-- Was returned to the county treasurer for delinquent summer 2020 property taxes that remain unpaid and include unpaid interest or penalties.
-- Was not subject to unpaid delinquent taxes in 2018 or 2019; property would be considered to have been subject to unpaid delinquent taxes in 2018 or 2019 whether or not those unpaid delinquent taxes were subsequently paid.
-- Is not owned by a land contract vendor, bank, credit union, or other lending institution or legal entity as a result of a foreclosure or forfeiture or through deed or conveyance in lieu of a foreclosure or forfeiture on that property.
-- Is not the subject of an escrow account agreement or other agreement under which a contract vendor, bank, credit union, other lending institution, or other individual or legal entity is obligated to pay property taxes on behalf of the property owner.

"Eligible business" would mean any of the following:

-- An entertainment venue (which includes an auditorium, arena, banquet hall, cinema, concert hall, conference center, performance venue, sporting venue, stadium, or theater).
-- An exercise facility (which would mean a facility in which individuals participate in individual or group physical activity, including a gymnasium, fitness center, or exercise studio).
-- A food service establishment, as that term is defined the Food Law.
-- A recreation facility or place of public amusement (which includes an amusement park, arcade, bingo hall, bowling alley, casino, nightclub, skating rink, water park, or trampoline park).

The bill states that the Legislature intends that the appropriation listed in Section 406 of Public Act 2 be used to fund the State's payments of eligible interest, penalties, or fees as provided above.

MCL 211.44a

FISCAL IMPACT

The bill would have a negative fiscal impact on the State and likely would have a positive fiscal impact on local governments. If local governments recovered interest, penalties, and fees that they otherwise would not have collected from affected business owners, they would see an increase in revenue by the amounts collected. The total cost to the State is unknown, and would depend on the characteristics of affected property, as well as how many eligible business owners applied for the program and were approved. Public Act 2 of 2021 included an appropriation on $22.0 million for the purpose of making these payments. The bill would not give the Department of Treasury authority to deny payments if the property were eligible, so if the total cost of payments exceeded $22.0 million, additional appropriations would be needed.

Date Completed: 4-14-21 Fiscal Analyst: Ryan Bergan