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BILL ANALYSIS

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Senate Bill 307 (as enrolled)
Sponsor: Senator Jack Welborn
Senate Committee: Finance
House Committee: Taxation

PUBLIC ACT 124 of 1989

Date Completed: 8-16-89

RATIONALE

Under the General Property Tax Act, for property taxes voluntarily paid before February 15, a local property tax collecting unit may collect a property tax administration fee of 1% of the property tax. "Property tax administration fee" is defined as "a fee to offset costs incurred by a collecting unit in assessing property values, collecting the property tax levies, and in the review and appeal processes". If the property tax collecting unit does not also serve as the local assessing unit, then the amount of the fee collected that exceeds the expenses of the collecting unit must be returned to the assessing unit. It has been pointed out, however, that the actual costs of collections to the collecting unit may be less than the amount that is returned.

In the vast majority of cases a collecting unit that is not an assessing unit is a school district. Reportedly, some school districts that have opted to collect their own property taxes have hired private firms, banks for instance, to collect the tax, and then paid for the service by assigning the 1% property tax administration fee to the firm. Some people feel that this is unfair to the assessing unit because the school district has not used any of its resources to collect the tax, yet has assigned the entire property tax administration fee to a collecting agent, returning none to the assessing unit, which remains responsible for making assessments and handling appeals. It has been suggested that a limit be placed on the amount of property tax administration fee that a collecting unit may claim for expenses.

CONTENT

The bill would amend the General Property Tax Act to provide that, unless otherwise agreed to by a property tax assessing unit and a property tax collecting unit, if a collecting unit (other than a village) does not also serve as the assessing unit, the excess amount of property tax administration fees over the expense to the collecting unit in collecting the property taxes, but not less than 80% of the fee imposed, would have to be returned to the assessing unit. (This means that a collecting unit that was not an assessing unit could keep no more than 20% of the property tax administration fee regardless of collection costs, unless the collecting unit and the assessing unit agreed to a different percentage.)

The bill also provides that, unless otherwise agreed to by an assessing unit and a collecting unit, a collecting unit that did not also serve as the assessing unit would have to impose a property tax administration fee on each parcel of property at a rate equal to the rate of the fee imposed for city or township taxes on each parcel.

MCL 211.44

FISCAL IMPACT

The bill would have no fiscal impact on State government. There could be an indeterminate shift of revenues among local units of government.

S.B. 307 (8-16-89)

ARGUMENTS

Supporting Argument

By limiting the amount that a collecting unit could claim for expenses in the collection of property taxes, the bill would prevent school districts from assigning 100% of the property tax administration fee to a collecting agent as payment for collection services. Often, school district property taxes make up 60% - 70% of a local assessing unit's total property tax levy. The assessing unit is responsible for making the assessments, handling assessment appeals, and collecting the taxes, and uses the property tax administration fee to pay for those tasks. When a school district decides to collect its own taxes, and then uses the entire property tax administration fee to pay for the collections, the local assessing unit can be left with insufficient amounts to pay for its administrative duties regarding property taxes. By limiting to 20% the amount a collecting unit could use for collections unless otherwise agreed to with the assessing unit, the bill would encourage those school districts interested in collecting their own property taxes to negotiate with the assessing units and reach agreements on the proper amount of the property tax administration fee to be used for collection expenses.

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