MICHIGAN ASSOCIATION OF COUNTY TREASURERS

House Bill No. 5839
(Delinquent Tax Revolving Fund Administration Fee)

Position

The Michigan Association of County Treasurers opposes House Bill 5839.

The Bill

House Bill 5839 would amend Section 87c of The General Property Tax Act to:

- Immediately eliminate the ability of a county board of commissioners to authorize a county treasurer to be paid a fee as an agent of the county for the county treasurer's work relating to the county's delinquent revolving fund and issuance of delinquent tax anticipation notes.

The administrative fee is payable only from surplus delinquent tax revolving fund revenue.

The phase-out of this fee was authorized in 1999. Only county treasurers elected or appointed before October 1, 1999 remain eligible to receive the fee.

Background

- Beginning in 1972, the Michigan Legislature authorized counties to borrow money to enable the advance of money to local tax collecting units equal to the amount of taxes returned as delinquent to a county treasurer.

- Delinquent tax revolving funds, also known as 100% tax payment funds, provide cash flow stability to local units of government, allowing local tax collecting units, and the State of Michigan to receive 100% of property taxes levied up-front, instead of waiting several years while delinquent taxes are collected by the county treasurer.

- When unpaid taxes are collected, the delinquent tax revolving fund is reimbursed and any notes issued are paid back.

- Creation of delinquent tax revolving funds and the process for borrowing and the issuance of notes added significant new responsibilities to the office of county treasurer.

- To compensate county treasurers for these duties, and to encourage the establishment of well-run delinquent tax revolving funds, in 1975, the Michigan Legislature authorized county treasurers to be reimbursed with an administrative fee from surplus funds for the extra services provided.

- In 1999, when the Engler Administration proposed a comprehensive overall of the delinquent tax collection process, he proposed eliminating the payment of the administrative fee to county treasurers. Because this change would have impacted numerous county treasurers, the Michigan Association of County Treasurers opposed the Engler Administration's proposal. Ultimately, a compromise was reached. County

treasurers agreed to support the new delinquent tax collection process. And the administrative fee was grandfathered. Any treasurer elected or appointed before October 1999, remained eligible to receive the administrative fee, if authorized by a county board of commissioners. But, as treasurers vacated office, the fee would be phased-out over time.

- That phase-out is nearly complete. County treasurers indicate that the administrative fee continues to be paid only in three counties: Cheboygan, Wayne, and Wexford. Other treasurers are eligible but do not receive the fee.

Rationale for Opposition

- ***Legislation Unnecessary.*** Legislation is not necessary to eliminate the fee. The phase-out under current law is nearly complete. Furthermore, a county board of commissioners can rescind authorization for the administrative fee at the local level. State legislative action is not required.

- ***A Deal is a Deal.*** Current law regarding the administrative fee is the product of a legislative compromise. County treasurers relied upon the phase-out mechanism when deciding whether to opt-in to the new delinquent tax collection process following the enactment of 1999 PA 123. The deal should not be changed retroactively by the Legislature.

- ***One County Shouldn't Drive State Policy.*** Concerns about the payment of an administrative fee in one county should not drive policy that affects county treasurers throughout the state.

- ***Fee Only Payable From Surplus.*** Payment to a county treasurer is appropriate as the administrative fee is only payable when the actions of a county treasurer results in a surplus in the delinquent tax revolving fund.

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