

DEFERMENT OF SUMMER 2020 PROPERTY TAXES

Phone: (517) 373-8080
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Senate Bill 943 (S-1) as passed by the Senate
Sponsor: Sen. Peter MacGregor
House Committee: Appropriations
Senate Committee: Appropriations
Complete to 7-22-20

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 943 would add two sections to the General Property Tax Act that would allow individuals and businesses to defer summer 2020 property taxes and allow local units of government to receive advance payments on those taxes from the state to fill funding gaps that would otherwise result.

Generally under the act, taxes levied in the previous year and unpaid are returned as delinquent to the county treasurer on March 1. For unpaid summer 2020 property taxes deferred under the bill and returned as delinquent, the typical 1% monthly interest charge would not begin to accrue until May 3, 2021.

Under the bill, a local tax collecting unit would have to defer collection of *summer 2020 property taxes* when a deferment is properly claimed, as described below. A deferment would continue until the last day that summer 2020 taxes are due before being returned as delinquent to the county treasurer. These deferred taxes would not be subject to any penalties or interest for the period of the deferment.

Summer 2020 property taxes would mean any tax or assessment levied in the 2020 calendar year on real property that is collected under the General Property Tax Act and that first becomes a lien before December 1, 2020.

A property owner would qualify for the proposed deferment if all of the following applied:

- The person experienced economic hardship as a result of the COVID-19 pandemic or the government's response to the pandemic, or both, or because of flooding caused by dam-structure failures in the Midland area of the state (utilities sites would not be able to apply for a deferment due to flooding).
- The person has filed an affidavit attesting as much and claiming the deferment with the local tax collecting unit by August 28, 2020.
- The person is not a party to an escrow agreement or other agreement obligating an individual or legal entity to pay those summer 2020 property taxes for that property owner.
- The person has not obtained a deferment of summer 2020 taxes against the property on some other basis.

A property owner that fraudulently claimed eligibility for the deferment would be guilty of a misdemeanor punishable by imprisonment for 30 days to six months or a fine of \$500 to

\$2,500, or both. An assessor, treasurer, or other official for a local tax collecting unit would have to report a property owner suspected of violation to the county prosecuting attorney.

By July 28, 2020, the Department of Treasury would have to provide local tax collecting units with the form to be used for deferment of summer 2020 taxes. The filing would not be complete until the form was received by the local tax collecting unit (or, if electronic, upon its submission). The deadline for filing would be August 28, 2020, by 11:59 p.m.

Additionally, the bill would create a summer 2020 property tax advance payment program in Treasury, under which each county would provide eligible taxing authorities that have levied summer 2020 property taxes on property located in the county with advance payments on the summer 2020 property taxes deferred under the bill. All of the following would apply to the program:

- To be eligible, a taxing authority would have to levy a summer 2020 property tax on property in a local tax collecting unit that submits an application, deferment-application statements and affidavits, and applicable property tax bills to the county treasurer by September 11, 2020.
- Based on the applications, the county would have to do one of the following:
 - Arrange for the financing of the advance payment to taxing authorities, including a delinquent tax revolving fund established by the county for payment of summer 2020 property taxes returned as delinquent.
 - By September 18, 2020, the county treasurer would have to submit an application for short-term financing for the advance payment to Treasury, including parcel identification numbers for applicant properties, the total amount of payment sought for each parcel, an itemization of that total amount into individual amounts to be paid to each taxing authority, and the total amount sought for all parcels.
- For those counties that submitted an application for short-term financing, Treasury would have to provide, by November 13, 2020, short-term financing for advance payments to be made by counties to taxing authorities. These funds could be obtained from any appropriate source, including the issuance of notes or bonds by the Michigan Finance Authority.
- By December 1, 2020, counties would have to make those advance payments to the taxing authorities for the full amount of properly deferred summer 2020 property taxes.
- The short-term state financing under the bill would be an interest-free loan to the county, which the county would have to repay from any sources available, including a delinquent tax revolving fund established under the act for payment of delinquent summer 2020 property taxes. Repayment would be due by the typical due date or June 1, 2021, whichever was earlier.

If a local tax collecting unit subsequently received payment of summer 2020 property taxes for which an advance payment had been provided, it would transmit that payment to the county.

The bill states that the advance payment of deferred summer 2020 property taxes is not on behalf of the property's owner, and those taxes remain due. Unless those taxes were paid

by or on behalf of the property's owner by the last day summer 2020 property taxes are due, the local tax collecting authority would return those taxes as delinquent to the county treasurer and the property would be subject to forfeiture, foreclosure, and sale as provided under the act. Upon return as delinquent, the primary obligation for the taxes and any interest would fall on the local tax collecting authority and the state for the State Education Tax, and the county would have full right of recourse to recover that amount.

MCL 211.78a and proposed MCL 211.44e and 211.44f

FISCAL IMPACT:

As written, the bill would allow taxpayers that are adversely affected economically by the coronavirus pandemic to defer summer 2020 property tax payments without penalties and interest until February 28, 2021. To offset the temporary loss of revenue, each county could apply for an interest-free loan from the Department of Treasury. The loan would need to be repaid by May 3, 2021, even if the deferred taxes become delinquent in the event of a business closure or other reason.

Although the bill states that the Department of Treasury shall provide short-term state financing for local units of government, it does not identify a specific funding source to support this financing program other than to indicate that any appropriate source, including bonds or notes issued by the Michigan Finance Authority, would be permissible. On average, summer tax payments from state and local levies total approximately \$10 billion. Although the number of taxpayers that would qualify and their respective property tax liabilities cannot be known in advance, if just 10% were eligible then short-term state financing would be \$1 billion.

Under provisions of the bill, a property owner that fraudulently claims eligibility for paying summer 2020 property taxes and assessments after the official due date would be guilty of a misdemeanor punishable by imprisonment in the county jail or by a fine. The bill would have an indeterminate fiscal impact on local units of government, as the number of convictions that would result under the bill is not known. New misdemeanor convictions would increase costs related to county jails and/or local misdemeanor probation supervision. Costs of local incarceration in county jails and local misdemeanor probation supervision, and how those costs are financed, vary by jurisdiction. The fiscal impact on local court systems would depend on how provisions of the bill affected caseloads and related administrative costs. Any increase in penal fine revenue would increase funding for public and county law libraries, which are the constitutionally designated recipients of those revenues.

Legislative Analyst: Jenny McInerney
Fiscal Analysts: Jim Stansell
Robin Risko

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.