

SFA

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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House Bill 5650 (as reported without amendment)

Sponsor: Representative Lynn Owen

House Committee: Taxation

Senate Committee: Finance

Date Completed: 6-13-88

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RATIONALE

Public Act 177 of 1987 (enrolled House Bill 4239) amended the General Property Tax Act to allow city and township treasurers to sue to collect delinquent taxes owed by a person, firm, or corporation and to garnishee that taxpayer's debtors, without first seizing or attempting to seize property. Prior to the amendment, the Act appeared to require use of the seizure procedure before filing a lawsuit. In the course of amending the relevant section of law, Public Act 177 removed the ability of municipalities to seize personal property to collect on delinquent real property taxes, because that provision was believed to be obsolete. It has since been pointed out, however, that while the remedy of seizing personal property was used rarely, the threat of seizure, or the actual seizure, was used by some local units. Reportedly, some local units, cities in particular, feel that removal of this provision represents a serious loss of authority to enforce the payment of property taxes, particularly in situations involving absentee landlords, and they feel the original language should be restored.

unfairly assessed. A taxpayer could lose or be threatened with the loss of household goods or personal property that provided the taxpayer's livelihood, which strikes many as unfair.

Response: The bill would merely return the law to the condition that existed before the enactment of Public Act 177 of 1987. The provision has been used with discretion and restraint; according to the Michigan Municipal League, no one has alleged that any abuses of this provision have occurred during its long history, which goes back about 100 years.

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CONTENT

The bill would amend the General Property Tax Act to specify that a township or city could seize personal property in order to collect taxes on real or personal property.

MCL 211.47

FISCAL IMPACT

The bill would have no fiscal impact on the State. The bill could lead to a minor increase in local property tax revenue.

ARGUMENTS**Supporting Argument**

The bill would return to municipalities a means of enforcing tax collections that occasionally proves useful—that of collecting on real property taxes by seizing or threatening to seize personal property. Such authority can provide a crucial leverage against a delinquent taxpayer, such as a business with a local inventory: either the business would value its inventory enough to pay the taxes owed, or the inventory would be seized and sold to pay the taxes. Either way, the duty to pay taxes would be enforced.

Opposing Argument

Some people consider it inappropriate to subject personal property to seizure for the collection of taxes on real property. What the bill would allow is for any non-affixed property to be seized even if the taxpayer had been