

**House Bill 5017 as enrolled  
Public Act 281 of 2000  
Second Analysis (10-16-00)**

**Sponsor: Rep. Tony Stamas  
House Committee: Tax Policy  
Senate Committee: Finance**

***THE APPARENT PROBLEM:***

Under the General Property Tax Act, if the state tax commission determines that property subject to tax has been incorrectly reported or omitted for a previous year (not to exceed the current assessment year and the two years immediately preceding the date of discovery and disclosure of the error or omission), it is required to place the corrected assessment value on the appropriate current assessment roll. The commission must certify to the treasurer who has possession of the roll the amount of taxes due as computed by the correct annual rate of taxation for each year except the current year. The act also says that if a change under this provision results in increased property taxes, the additional tax "shall be collected in the same manner, at the same time, and with the same property tax administration fees, penalties, and interest as the current year's taxes."

Tax administrators have complained about the difficulties caused by these provisions. Essentially, the law says that the commission can order taxes increased on a property for three prior tax years, that the taxes must be based on the different millage rates in each of those tax years, and that the additional taxes must be added to the current year's bill and collected in the same manner as the current year's taxes. This reportedly leads to a number of problems. Local treasurers use computerized tax collection software that is programmed to compute taxes based on the current year's millage rate and not the millage rates in prior years. This is because local treasurers are not responsible for collecting property taxes after March 1 following their levy date. This means the additional taxes must be calculated and tracked manually and billed separately in the form of a special assessment. (This can confuse taxpayers.) If the newly ordered taxes are paid, they must also be dealt with manually, including the distribution of amounts to the various taxing jurisdictions. County treasurers must also deal with these past taxes manually if they are returned delinquent with the current tax year.

Another problem is that county treasurers are required to report changes in taxable value in school districts to the state so that the districts can receive the correct amount of state school revenue. If past year's taxes are added to a current year's tax roll, the information reported by county treasurers will be inaccurate. A further concern is that the adding of past taxes to the current year's taxes can affect the proration of taxes when real estate is transferred. Legislation has been introduced to address these problems.

***THE CONTENT OF THE BILL:***

The bill would amend provisions in the General Property Tax Act that address how changes in property values made by the State Tax Commission are placed on tax rolls and how any resulting increases in property taxes are to be collected. Under the bill, the tax commission's order certifying the amount of taxes due would be issued to the treasurer of the local collecting unit if the local tax collecting unit had possession of a tax roll for a year for which an assessment change was being made and to the county treasurer if the county had possession of a tax roll for a year for which an assessment change was being made. If an assessment change resulted in increased property taxes, the taxes would have to be collected by the local treasurer if the local tax collecting unit had possession of the tax roll for which an assessment change was being made and by the county treasurer if the county had possession of the tax roll for a year for which an assessment was being made.

Not later than 20 days after receiving the order certifying the amount of taxes, the appropriate treasurer would submit a corrected tax bill, itemized by taxing jurisdiction, to each person identified in the order and to the owner of the property on which the additional taxes were assessed (if different from the person identified in the order) by first-class mail, address correction requested.

For real property only (and with some exceptions), if the additional taxes remained unpaid on the March 1 in the year immediately succeeding the year in which the order was issued, the property would be returned as delinquent to the county treasurer. Real property returned for delinquent taxes, and upon which taxes, interest, penalties, and fees remained unpaid after the property was returned as delinquent to the county treasurer, would be subject to forfeiture, foreclosure, and sale for the enforcement and collection of delinquent taxes as found elsewhere in the act. (The exceptions mentioned above include taxes levied under the Plant Rehabilitation and Industrial Developments District Act, known as PA 198; the Commercial Redevelopment Act; the state utility tax; and the tax on lessees and users of tax-exempt property.)

MCL 211.154

### ***FISCAL IMPLICATIONS:***

The House Fiscal Agency says that “because this bill only adjusts the timing of payments, there are no significant state or local fiscal impacts.” (HFA fiscal note on the bill as introduced, dated 2-14-00)

### ***ARGUMENTS:***

#### ***For:***

The bill will improve property tax administration by requiring that changes in taxes ordered by the State Tax Commission be posted to the appropriate year’s tax roll by the treasurer in possession of that year’s roll, whether the local unit treasurer or the county treasurer, and that any increased taxes be collected by that appropriate treasurer. Local unit treasurers would no longer have to manually track and distribute taxes assessed for past years (over which they otherwise have no jurisdiction); county treasurers would be able to report changes in taxable value accurately to the state for school aid purposes; and title and real estate companies would have more accurate information for clearing title and prorating taxes when property was being sold. Under the proposal, county treasurers would handle State Tax Commission orders the same way that all other tax adjustments are handled. (Reportedly, some county treasurers are already handling commission orders that way to simplify administration.)

Analyst: C. Couch

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