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BILL ANALYSIS



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Senate Bill 322 (Substitute S-1 as passed by the Senate)
Senate Bill 323 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Dave Hildenbrand (S.B. 322)
Senator John Proos (S.B. 323)
Committee: Finance

Date Completed: 8-19-11

RATIONALE

Property taxes in Michigan are collected once or twice a year, in July or December or both, depending on the local units that are levying and collecting the taxes. Typically, a local tax collecting unit collects taxes for other taxing authorities; a city, for example, may collect taxes for the county and school districts. The due date of city and village taxes depends on local charters, although most cities collect their property taxes in a summer levy. As a result of legislation enacted in 2004, the collection of county property taxes was shifted from December to the summer levy. School taxes are levied in December, unless a school board elects to make all or half of the taxes due in July. Evidently, it is not uncommon for winter tax bills to represent a small fraction of the taxes levied on property, and the amount of some taxpayers' winter bills can be very low. The City of Grand Rapids, for example, reportedly had almost 60,000 tax bills under \$100, including more than 560 under \$1, in December 2010. In order to save local units' resources, it has been suggested that local taxing authorities should have the option of accelerating the collection of their winter tax levy to the summer for small tax bills.

CONTENT

Senate Bill 322 (S-1) would amend the General Property Tax Act to allow mills previously billed as part of a winter tax levy to be collected as a summer tax levy, if the aggregate amount of revenue from all individual millages

that would be collected in the winter totaled \$100 or less per individual tax bill, and if the summer collection received the necessary approvals. The bill also would require the establishment of an "other levies reserve fund" for the deposit of accelerated millage that was collected in the summer, and require money in the fund to be distributed to the local taxing authorities.

Senate Bill 323 (S-1) would amend the Act to require authorization of a tax levy, and the apportionment of taxes and indebtedness to the State, by July 1 for a county or local tax collecting unit that approved the accelerated collection of millage previously billed as part of a winter tax levy.

The bills are tie-barred.

Senate Bill 322 (S-1)

Acceleration of Millage Collection

Under the bill, notwithstanding any other statutory or charter provision to the contrary, beginning in 2012 and each subsequent year, a millage levied by any taxing authority within a local tax collecting unit that had been previously billed and collected as part of the winter property tax levy in a preceding tax year, could be collected as a summer property tax levy if all of the conditions described below were satisfied.

The aggregate amount of the revenue from the levy and collection of all individual millages that would be levied and collected in the winter tax bill would have to total \$100 or less per individual tax bill, excluding any property tax administration fee. A millage could be accelerated and collected earlier only for those tax bills totaling \$100 or less for all individual millages, and that millage could be levied and collected as a winter property tax levy for all other tax bills totaling more than \$100 for all individual millages. Any additional millage approved to be levied by any taxing authority after collection of the summer property tax levy would have to be collected as part of a winter property tax levy.

A resolution authorizing the summer collection would have to be approved by all of the following:

- The county board of commissioners.
- The legislative body of the local tax collecting unit.
- The county tax allocation board, if any.

Reserve Fund

If a resolution authorizing the summer collection of a tax previously billed as part of the winter property tax levy were approved, the treasurer responsible for collecting the summer property tax levy would have to establish a restricted fund known as the "other levies reserve fund" for any millage collected that was previously billed as part of the winter levy. The millage that was accelerated and collected earlier would have to be deposited into the fund. The treasurer would have to distribute to the local taxing authorities the revenue credited to the fund on December 1 of the tax year in which the December levy otherwise would have been due.

If the millage that was accelerated and collected earlier were less than it would have been if levied as part of the next winter property tax levy, the treasurer could issue a supplemental tax bill for the deficiency or, if approved by a resolution of the legislative body of the local unit that collected the summer levy, pay any deficiency from that local unit's general fund.

If the county treasurer collected the summer property tax levy, interest earned on the reserve fund would have to be transmitted

to the various local tax collecting units in proportion to the revenue collected from a millage that was accelerated and collected earlier, after a deduction of reasonable expenses the county incurred in administering the accounting and disbursement of funds, to the extent that those expenses were in addition to the expenses of accounting and disbursing other taxes.

Senate Bill 323 (S-1)

The Act provides for a county board of commissioners to authorize the levy of a tax at the annual session in October. Under the bill, for a county or local tax collecting unit that approved the accelerated collection in a summer property tax levy of a millage that had been previously billed and collected as in a preceding tax year as part of the winter property tax levy, the levy would have to be authorized before a special meeting held before the annual levy on July 1.

The Act requires the State Treasurer, by the first day of September in each year, to prepare a statement showing the taxes to be raised for State purposes that year. The bill would delete the September 1 deadline.

Before the October session of the county board of commissioners, the State Treasurer must prepare and send to the clerk of each county a statement of the amount of the taxes apportioned to that county. Under the bill, for a county or local tax collecting unit that approved the accelerated collection in summer of millage previously billed and collected as in a preceding tax year as part of the winter property tax levy, the State Treasurer would have to do this before a special meeting held before the annual levy on July 1.

The State Treasurer also is required to set forth the amount of indebtedness of a county to the State remaining unpaid at the time the statement is made. That amount must be apportioned by the county board of commissioners and be levied as a portion of the county taxes for the year, unless the indebtedness is paid to the State by October 1. Under the bill, for a county or local tax collecting unit that approved the accelerated collection in summer of millage previously billed and collected as in a preceding tax year as part of the winter property tax levy,

the indebtedness would have to be levied unless paid before the annual levy on July 1.

The Act requires a county board of commissioners, at a session held by October 31 each year, to determine the amount of money to be raised for county purposes, and apportion the amount as well as the amount of the State tax and the county's indebtedness to the State among the townships in the county. Under the bill, this would have to be done either at a session held by October 31 or at a special meeting held for a local tax collecting unit that approved the accelerated collection in summer of millage previously billed and collected as in a preceding tax year as part of the winter property tax levy.

MCL 211.44a (S.B. 322)
211. 34d et al. (S.B. 323)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bills would give local units of government the option to use a single summer tax bill for a whole year's property tax collection when an individual's winter tax bill would total \$100 or less. According to the treasurer of Grand Rapids, the city had 59,979 tax bills under \$100 in December 2010, and this number is expected to grow due to reduced taxable values. Evidently, Grand Rapids could have saved more than \$46,000 last December if this legislation had been in place, and city residents could have saved more than \$13,000 in postage for mailing their payments. The treasurer also reported that the city paid 566 bills under \$1 from its own coffers, in order to avoid having to send them out. Mailing tax bills consumes many hours of staff time and results in printing and postage costs, as well as depository fees. In addition, tax bills for small amounts generate many phone calls and e-mails from residents, asking why they are receiving such small bills, which places further demands on staff.

Grand Rapids is not the only community that could benefit from these proposals. It is likely that many others throughout the State, such as Kent County, Ann Arbor, Flint, Lansing, and Sterling Heights, find the

current system wasteful and would appreciate the opportunity to consolidate tax bills and accelerate collections. It also is likely that many residents would prefer to receive and pay only one tax bill in the summer, if their winter bill is for a very low amount.

Response: The legislation would take only a small step in the right direction. The \$100 ceiling would prevent many communities from accelerating collections because they still would have to go through the tax rolls—manually, in some cases—to determine which tax bills would be eligible. In addition, continuing to send some taxpayers a winter bill, while others received one only in the summer, would be sure to generate confusion among residents and questions to local government officials.

The legislation also does not address situations in which a local unit collects taxes for other taxing authorities besides counties, such as district libraries and metropolitan authorities. The City of East Lansing, for example, collects taxes for itself, Ingham and Clinton Counties, the East Lansing, Lansing, Haslett, and Bath School Districts, Ingham Intermediate School District, Clinton County Regional Education Service Agency, Lansing Community College, and the Capital Area Transportation Authority. It is possible that the taxing authorities for which taxes are collected on a winter bill have different fiscal years, and many do not know in July the amount of millage that they will collect in December.

Although this legislation might be useful to Grand Rapids and a limited number of other communities, many or most local units would see no gain. A better approach would shift *all* property tax levies to a yearly collection. This would enable all local tax collecting units to reduce costs and save resources, and in turn would benefit residents throughout the State.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would change the timing of property tax collections in local units that chose to shift the collection date. If a local unit authorized the shift, the bill would allow the local unit to shift the collection of the winter levy to a summer levy for only for those tax bills where the winter levy would

otherwise be \$100 or less. The change would not affect the tax bills for all taxpayers, and the collection date would not be changed for individual taxpayers with a winter tax levy that exceeded \$100. It is unknown how many local units would elect to shift the collection date on taxpayers, or how many taxpayers would have individual tax bills with a winter levy of less than \$100.

The bills would have no fiscal impact on State government.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.