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TAX LIEN DATES

House Bill 4935 as introduced
First Analysis (10-19-93)

Sponsor: Rep. Willis Bullard, Jr.
Committee: Taxation

THE APPARENT PROBLEM:

A representative from the Oakland County Treasurer's office and a bankruptcy law expert testified before the House Taxation Committee that local units of government were losing millions of dollars each year because the units are unsecured creditors in bankruptcy proceedings when there is no lien against the property for property taxes due. According to the testimony, the assessment date is the pivotal date for purposes of bankruptcy and that date is December 31 in the year prior to the year in which the tax is levied. State law provides for a lien to be placed against property on December 1 of the year in which the tax is levied (although a city charter can provide for a lien to be placed on property at an earlier date). To protect the interests of governmental units, say specialists, a lien should be placed against property on tax day. This would allow them to become secured creditors and be higher on the list of priority when creditors are paid.

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act (MCL 211.40) to specify that taxes assessed on real property would become a lien on the property on tax day provided for state, county, village or township taxes, which is defined as December 31 of the year prior to year in which the taxes would be levied, or on a day provided for in the charter of a city or village. Currently, the act says the taxes become a debt due to the township, city, village, or county on tax day and become a lien on December 1 of the year in which they are levied.

FISCAL IMPLICATIONS:

The treasurer of Oakland County told the House Taxation Committee that millions of dollars are being lost to local units of government in bankruptcy cases because of the current lien date. (10-13-93)

ARGUMENTS:

For:

The bill's aim is to vastly improve the likelihood that property tax debts will be repaid when property owners are in bankruptcy proceedings. It lifts governmental units from the status of unsecured creditor to secured creditor by imposing a lien against property for the taxes due on tax day rather than nearly one year later.

Against:

Some people are uneasy about the idea of putting a lien against property well before the date when the taxes are expected to be paid.

POSITIONS:

A representative of the Oakland County Treasurer testified in support of the bill. (10-13-93)