



**House
Legislative
Analysis
Section**

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**UNCOLLECTIBLE PERSONAL
PROPERTY TAXES**

**House Bill 5213 (Substitute H-1)
First Analysis (10-25-01)**

**Sponsor: Rep. Paul Wojno
Committee: Tax Policy**

THE APPARENT PROBLEM:

The report issued earlier this month by the Subcommittee on Tax Simplification of the House Tax Policy Committee addressed the issue of unpaid and uncollectible delinquent property taxes owed to local units of government. The report said:

"Many times there is no way to collect delinquent personal property taxes because the property was sold or the business moved or simply closed its doors. These delinquent personal property taxes cannot be removed from the tax roll except by judicial decree, which can be tedious and difficult. Tax collecting units of government should have the ability to remove unpaid and uncollectible delinquent personal property taxes from their tax rolls by a simple majority vote, thus eliminating [the role of] the judiciary."

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act to allow the governing board of a local tax collecting unit to strike uncollectible personal property taxes from its tax rolls and the county tax rolls. Currently, the process requires action by the circuit court. The local governing board could strike the taxes by a resolution adopted by a majority of members elected and serving.

As now, this would apply to taxes that have remained unpaid more than five years after they were returned to the county treasurer as delinquent. The local treasurer would have to file a petition regarding such taxes with the local governing body stating that the taxes had remained delinquent despite the fact that the treasurer (or his or her predecessors) had exercised due diligence in an effort to collect the taxes and stating that the taxes were, to the treasurer's best knowledge and information, uncollectible. The petition would request a public hearing on the petition not less than 30 nor more than 60 days after the filing of the petition. The treasurer would have to notify the county treasurer and the

clerk or secretary of the school board of an affected district of the hearing on the petition not less than 10 days before the date set for the hearing. If the local governing body adopted the resolution striking the taxes, the taxes would cease to be an asset of the local unit, the county, the school district, or any other taxing entity in which the personal property was located. Further, the bill would specify that the debt created under the act or under a city or township charter of a person assessed for the taxes would assume the status of a debt against which the statute of limitations had run.

MCL 211.56a

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would have no direct state or local fiscal impact. (HFA fiscal note dated 10-22-01)

ARGUMENTS:

For:

According to testimony from a representative of local government, the bill would address a major problem: that of striking uncollectible personal property taxes off the tax rolls. This currently requires action by the circuit court. It could just as easily be accomplished by the governing board of the local unit. To use an example from committee testimony, if a travel agency that had been presented with a \$100 personal property tax bill for its furnishings simply closed down and the owners left town, the local unit would have to use the current cumbersome and more expensive judicial process to discharge the debt. The bill would not relieve local units from exercising due diligence in attempting to collect taxes owed. As now, other affected taxing units would have to be notified. The local unit would have to hold a public hearing (to replace the court hearing required now).

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POSITIONS:

The Department of Treasury supports the bill. (10-24-01)

The Michigan Townships Association supports the bill. (10-24-01)

Analyst: C. Couch

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