

Legislative Analysis



CHANGES TO TAX APPEAL PROCEDURE

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Senate Bill 100 (passed by the Senate as S-2)

Sponsor: Sen. Jack Brandenburg

House Committee: Tax Policy

Senate Committee: Finance

Analysis available at
<http://www.legislature.mi.gov>

Complete to 4-21-15

SUMMARY:

Senate Bill 100 would amend the Revenue Act to alter the prerequisites for filing an appeal with the Court of Claims, increase the amount of time a taxpayer has to file an appeal with the Tax Tribunal, and appropriate additional funds in this fiscal year for the Court of Claims in anticipation of the bill causing an increase in the court's expenses. (The Court of Claims is located in the Michigan Court of Appeals.)

Under current law, taxpayers wishing to dispute their tax assessments must file that appeal with either the Tax Tribunal or the Court of Claims. While the Tax Tribunal has exclusive authority to hear cases related to property taxes (assessments, granting of principal residence exemptions, equalization, etc.), a taxpayer can have non-property tax cases heard for a \$250 fee. Importantly, in most circumstances the taxpayer does not have to pay the amount of tax liability under dispute before the case is heard.

However, for an appeal to be heard by the Court of Claims, a taxpayer must pay both the contested and uncontested portion of their tax liability. Senate Bill 100 would remove this requirement, allowing taxpayers to withhold payment of the contested portion of their tax liability, paying only the uncontested portion, until the courts have decided their case. Following this change, taxpayers would find it easier to file a non-property tax related appeal with the Court of Claims, rather than the Tax Tribunal. In anticipation of an increased caseload due to the changes in this bill, SB 100 appropriates an additional \$200,000 in the current fiscal year (FY 2014-15) from the General Fund to the Court of Claims.

Finally, the bill would increase the time a taxpayer has to file an appeal with the Tax Tribunal. Senate Bill 100 would give a taxpayer 60 days after an assessment, decision, or order to file that appeal, up from 35 days under current law.

FISCAL IMPACT:

As written, the bill should have no impact on total state tax revenues. While there will be some change in the flow of tax revenue to the state, the total amount of revenue should be unaffected by the changes. The Tax Tribunal is likely to see fewer cases under this legislation, which would decrease its operating costs, and by extension the costs of the Department of Licensing and Regulatory Affairs (LARA). The tribunal is an agency within

LARA. Conversely, the Court of Claims will see its caseload and its costs rise due to the changes in this legislation. The \$200,000 appropriation in Fiscal Year 2014-15 is intended to offset these costs. There should be no impact on local government revenues.

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