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May 28, 2020

Rep. James Lower
Chairman
House Committee on Local Government and Municipal Finance
124 N. Capitol Ave.
Lansing, MI 48933

Dear Chair Lower and Committee Members,

The Michigan Association of Counties (MAC) has not taken a formal position on House Bills 5761 and 5810. This is due to continued concerns with the mechanics of the proposal.

The intent of the legislation is to provide extra time to taxpayers to make their summer 2020 tax payments, without penalty, if they have experienced a hardship due to the COVID-19 pandemic and subsequent Executive Orders that affected income to individuals and businesses alike. Both the private sector and the public sector have faced significant revenue losses and additional costs associated with the pandemic; all need to be considered when deciding how their revenues and expenses should be handled during the economic recovery period.

On the summer 2020 property taxes, the bills aim to waive late charges and penalties for taxpayers who do not make their payments by Sept. 30, 2020. For 2020 only, the local tax collecting unit will be required to turn over those unpaid taxes (if they have not already agreed to accept partial payments) to the county for collection.

The county treasurer is then instructed to pay the tax collecting unit the amount of the unpaid taxes out of the delinquent tax revolving fund, as they normally would for delinquent taxes not paid by March 1 of the following year. This acceleration of payment to the local unit would apply to just the summer 2020 taxes.

Under the bills, the county treasurer is further instructed to not charge the taxpayer for the late fees and interest normally charged for late payment of taxes. Instead, the county treasurer is instructed to apply to the State for reimbursement of those fees and interest for only those taxpayers that have submitted an affidavit of economic hardship and met the criteria for such hardship.

After careful review, MAC has identified the following concerns/issues regarding the proposal:

- The legislation prohibits a county treasurer from charging the taxpayer fees and interest on unpaid summer 2020 taxes, regardless if they qualify for the economic hardship waiver. On the same note, the county treasurer can only apply to the State for reimbursement of the fees and interest for those that do qualify for the economic hardship waiver. This appears to not only give an incentive to the taxpayer to not pay on time, but it will also short the county treasurer the necessary funds to repay any borrowing that has to occur to make the tax collecting units whole.
- Michigan is facing a \$3.2 billion deficit for FY 20, and a \$3 billion deficit in FY 21. Although the intention in the legislation is that the Legislature will appropriate the necessary funds for repayment to the county of the late fees and interest, experience shows payment to locals is not a

priority during tight budget times. The county will be left short again. Perhaps a better approach would be for the State to issue tax anticipation notes to make the taxing units whole and assume the financial responsibility for new programs.

- Lastly, the legislation allows a financial institution holding an escrow account to not pay the summer taxes should a debtor be behind in making the escrow payments. Traditionally, however, the financial institution would pay the taxes and make up the difference with the debtor over time. MAC recommends this eligibility be removed from the legislation.

MAC thanks the bill sponsor for his outreach on this issue and for his commitment to continue work to get the best possible legislation.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Deena Bosworth".

Deena Bosworth
Director of Governmental Affairs