Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5124 (Substitute H-3 as reported without amendment)
Sponsor: Representative John Germaat
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Tax Tribunal Act to provide that interest on refunds due taxpayers, and on sums owed by taxpayers, would accrue at a rate calculated annually (rather than monthly, as is currently done); require that the Tax Tribunal determine a property's "taxable value" pursuant to Section 27a of the General Property Tax Act; change the criteria for determining the eligibility of disputes involving nonresidential property to appear before the Residential Property and Small Claims Division of the Tribunal; and provide for the automatic addition to an appeal that involved a claim for exemption of a homestead or qualified agricultural property that was denied.

Currently, a taxpayer paid additional taxes as a result of an unlawful assessment, the amount unlawfully paid accrues interest at a rate set monthly based on the auction rate of 91-day Treasury bills plus 1%. This interest rate also applies to amounts determined by the Tax Tribunal to have been underpaid by a taxpayer. The bill provides that after December 31, 1995, interest on these amounts would accrue at a rate set each *year*, based on the average auction rate of 91-day Treasury bills in the immediately preceding fiscal year plus 1%. The Department of Treasury would have to certify the interest rate within 60 days after the end of a fiscal year.

MCL 205.737 & 205.762 Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would have no fiscal impact on State government. Local governments could experience an increase or decrease in their net interest costs in any particular year, compared with current law, but any such gain or loss would be basically reversed the following year. Under current law, the interest rate used to calculate refunds for overpayments and late charges for underpayments is based on current interest rates by recalculating the rate monthly using the 91-day Treasury bill rate monthly average plus one percentage point. This bill would simplify the process for calculating the interest rate applied to Tax Tribunal judgments by using the average rate for 91-day Treasury bills during the previous fiscal year plus one percentage point. Under this change, when interest rates are increasing (decreasing), a local government's current year net interest earnings would be lower (higher) under this bill than under current law, but this net decrease (increase) in interest earnings would be offset the following fiscal year as the higher (lower) interest rates would be reflected in the interest rate calculation. Therefore, it is estimated this bill would have no fiscal impact on local governments on a multi-year basis.

Date Completed: 11-8-95 Fiscal Analyst: J. Wortley