



House
Legislative
Analysis
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TAX TRIBUNAL AMENDMENTS

House Bill 5124 (Substitute H-3)
First Analysis (10-18-95)

Sponsor: Rep. John Gernaat
Committee: Tax Policy

THE APPARENT PROBLEM:

A representative of the Michigan Tax Tribunal has requested changes in the Tax Tribunal Act to improve operations. The principal change would involve how interest rates are calculated on refunds to taxpayers when the tribunal rules that they have been overcharged. Currently, the interest rate is determined monthly. This causes administrative difficulties since it means a refund could be calculated using 12 different rates. The recommendation has been made that the interest rate for taxpayer refunds be determined annually. The basis on which the rate would be calculated (91-day treasury bills plus one percent) would not change.

Two other amendments relate to changes in property tax administration that have resulted from the passage of Proposal A and the creation of a new school finance/property tax system. One would put the term "taxable value" into the act to reflect the new limit on how much assessments can increase from year to year. Another would apply to the tribunal's new responsibility of hearing appeals of denials of homestead and qualified agricultural exemptions. An unrelated amendment addresses the jurisdiction of the tribunal's residential and small claims division. A dollar threshold determines if a case involving non-residential property falls under the jurisdiction of the division. It has been recommended that the threshold refer to the amount "in dispute" so as to prevent the case being moved and re-heard before the full tribunal if the division's decision raises the dollar amount at issue above the threshold.

THE CONTENT OF THE BILL:

The bill would amend the Tax Tribunal Act in the following ways.

Interest Rates. The interest rate on refunds to taxpayers who have overpaid or unlawfully paid property taxes and on amounts due by taxpayers

who have underpaid would be determined annually and not, as now, monthly as of January 1, 1996. The rate would be set based on the average auction rate of 91-day discount treasury bills in the immediately preceding state fiscal year, plus one percent. (Currently, the rate is one percent above the 91-day treasury bill rate for the first Monday in each month.) The Department of Treasury would have to certify the interest rate within 60 days after the end of the fiscal year. At present, interest on underpayments does not begin until 30 days after the tax tribunal's decision. The bill would make interest begin after 28 days.

Exemptions for Homesteads and Qualified Agricultural Property. The bill would permit subsequent years to be added automatically to appeals of denied claims for a homestead or qualified agricultural exemption, just as subsequent years are added for assessment appeals. (This means that a new denial of an exemption that occurs while a previous denial of an exemption was before the tribunal would be added to the case.)

Taxable Value. The bill would specify that the tribunal is to determine a property's taxable value pursuant to the General Property Tax Act. The term "taxable value" has been introduced to implement the assessment cap placed in the state constitution in 1994. Property taxes are now based on taxable value not state equalized value. (Taxable value is, generally, SEV reduced as required by the limitation on how much an assessment can increase from one year to the next; the limitation is five percent or the rate of inflation, whichever is lower.)

Small Claims Jurisdiction. The act says that property other than residential property can be included in a proceeding before the residential property and small claims division of the tribunal if "the assessed valuation of the property after applying the state equalization factor, is not increased or decreased by more than \$100,000."

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The bill would say such property would fall under the division's jurisdiction if "the amount of that property's taxable value or state equalized value in dispute is not more than \$100,000."

MCL 205.737 et al.

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would have no fiscal impact. (Fiscal Note dated 10-9-95)

ARGUMENTS:

For:

The bill contains a series of amendments, described elsewhere in the analysis, that are aimed at improving the operation of the Michigan Tax Tribunal. The main amendment would require the calculation of the interest rate on taxpayer refunds be made annually and not monthly.

POSITIONS:

A representative of the Michigan Tax Tribunal testified in support of the bill. (10-12-95)