

Legislative Analysis



SUMMER TAX DEFERMENT: INCOME THRESHOLD

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House Bill 4188

Sponsor: Rep. Tory Rocca

Committee: Tax Policy

Complete to 3-8-05

A SUMMARY OF HOUSE BILL 4188 AS INTRODUCED 2-3-05

The General Property Tax Act requires local tax collecting units that collect a summer property tax to defer the collection, at the taxpayer's request, until the following February 15 for the principal residence (formerly known as homestead property) of certain taxpayers with a household income of \$25,000 or less. To be eligible for the deferment, the taxpayer must be totally and permanently disabled, blind, paraplegic, quadriplegic, an eligible serviceperson, or an eligible veteran, or be the widow or widower of such a person. The deferment is also available to taxpayers who are at least 62 years of age or the unremarried surviving spouse of a person who was at least 62 years of age at the time of death. The taxpayer must file a claim with the local treasurer by September 15 or the date the taxes are due, whichever is later.

House Bill 4188 would increase the household income threshold from \$25,000 to \$35,000.

MCL 211.51

FISCAL IMPACT:

Because the property taxes in question are ultimately received, the actual fiscal impact would be limited primarily to foregone interest that the funds could have generated. However, because State Education Tax revenue that would be collected in September 2005 would be deferred until February 2006, the state (and the School Aid Fund) would face a one-time revenue reduction of approximately \$4 million for the 2004-05 fiscal year. Many local units could also face the same problem of a one-time revenue reduction.

Even for those units that would not realize a revenue reduction, there is a potentially greater issue of cash flow. Based on information provided by the Department of Treasury, increasing the income threshold from \$25,000 to \$35,000 could permit as many as 11,500 additional deferrals, and result in at least an additional \$20 million in deferred property tax payments.

BACKGROUND INFORMATION:

The provision was added to the General Property Tax Act through the enactment of Public Act 294 of 1975 and initially established an income threshold of \$10,000. The

threshold has since been increased on two previous occasions. Public Act 205 of 1984 increased the threshold to \$20,000, and Public Act 97 of 1994 increased the threshold to the current level of \$25,000.

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