

Legislative Analysis



REVISE INTEREST RATE FOR DELINQUENT TAXES

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5888

Sponsor: Rep. Marty Knollenberg

Committee: Local, Intergovernmental, and Regional Affairs

Complete to 11-28-12

A SUMMARY OF HOUSE BILL 5888 AS INTRODUCED 9-12-12

House Bill 5888 would amend the General Property Tax Act (MCL 211.78g) to revise the interest rate that must be paid on back taxes to a county treasurer, in order to redeem a tax-forfeited property (a property that is delinquent for taxes, interest, penalties, and fees). Currently the rate at which interest on the back taxes is calculated is 0.5 percent per month, or 6 percent annually, computed from the March 1 preceding the forfeiture. Under the bill, the interest rate would be set at one-twelfth (1/12) of the adjusted prime rate per month.

Under the bill, the term "adjusted prime rate" is defined to mean the average predominant prime rate quoted by not fewer than three commercial banks to large businesses, as determined by the Department of Treasury.

[Note: The prime rate fluctuates. For example, the average prime rate has been 3.25 percent every month since January 2009. However, as recently as January 2008, the prime rate was 6.98 percent, and it averaged close to 8 percent through much of 2006-2007. Indeed, in July and August of 1984, the prime rate was 13 percent.]

FISCAL IMPACT:

Without knowing which properties would qualify for the alternative calculation of additional interest on taxes returned as delinquent, a fiscal impact cannot be determined. However, to the extent that the adjusted prime rate is less than 6%, the additional interest calculated would be lower than under current law.

Legislative Analyst: J. Hunault
Fiscal Analyst: Jim Stansell

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