



## MEMORANDUM

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301 W. MAIN ▪ OWOSSO, MICHIGAN 48867-2958 ▪ WWW.CI.OWOSSO.MI.US

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**DATE:** May 1, 2023

**TO:** Mayor Robert Teich and the Owosso City Council

**FROM:** Katherine Fagan, City Treasurer

**SUBJECT:** Ordinance to Amend Chapter 32 of the City of Owosso Code of Ordinances

### RECOMMENDATION:

Staff recommends council approve the proposed amendments to City of Owosso Code of Ordinances, Chapter 32, Taxation, to comply with the State of Michigan General Property Tax Act regarding the collection of 1% interest on summer taxes, not deferred, for each month or portion of a month that the tax is late.

Staff further recommends council approve the proposed amendments to City of Owosso Code of Ordinances, Chapter 32, Taxation, to direct the City Treasurer to collect the one percent administration fee on all property taxes, summer and winter, excluding special assessments.

### BACKGROUND:

Staff became aware that the City of Owosso's ordinance regarding tax collection, interest and administration fee needs to be amended to comply with the State of Michigan General Property Tax Act. The City attorney was approached with questions. Enclosed you will find a memo from City Attorney Scott Gould answering those questions, and an amended ordinance that staff is asking council to approve.

The Michigan General Property Tax Act, PA 206 of 1893, states that 1% interest must be imposed on summer taxes not deferred for each month or portion of a month that the tax is late. (MCLs 211.905b(11), 211.59, 380.1612(2), 211.44a(5), 211.78a(3))

The city currently charges 2% on September 1, 1% on October 1, and 1% on November 1.

Staff is requesting that the ordinance be changed to instruct the treasurer to charge 1% interest on taxes not paid on September 1 and 1% on the first of each month until taxes are turned over to the county as delinquent. Summer taxes not paid at that time would include 6% interest which would also be turned over to the county delinquent per state law.

The Michigan Tax Act also states that up to a 1% Property Tax Administration Fee (PTAF) may be imposed

on all property taxes by resolution. (MCLs 211.905b(11), and 211.44(3))

The city currently imposes a 1% administration fee on the entire winter tax bill and part of the summer tax bill. Staff is requesting that you change the ordinance, and instruct the Treasurer to apply the 1% administration fee across the entire tax bill for both summer and winter taxes.

“A property tax administration fee is defined as a fee to offset costs incurred by a collecting unit in assessing property values, in collecting the property tax levies, and in the review and appeal processes.”

**FISCAL IMPACTS:**

Tax collection payments made for summer taxes between September 1 and November 30 would be charged 1% less interest, those paying in December would pay the same amount interest, those paid in January would pay an additional 1% interest, and those paying in February would be charged an additional 2% interest. Interest must follow the principle tax to the taxing unit, e.g. SET and County Operating.

If approved, the collection of the one percent administration fee on all summer taxes, based on tax amounts from 2022, would increase the total administration fee by about \$50,000.



301 WEST MAIN STREET • OWOSSO, MICHIGAN 48867-2958

## MEMORANDUM

**TO:** Kathy Fagan, City Treasurer  
**FROM:** Scott J. Gould, City Attorney  
**DATE:** April 5, 2023  
**RE:** City Real Property Taxes – Delinquent Payment Interest – Admin Fee

**Question 1:** Is the City's ordinance, Section 32-1, *Taxes and collection charges*, in conformity with state law?

**Answer:** No, the State Law states that the City must impose 1% interest on summer taxes not deferred for each month or any portion of the tax that is late.

**Question 2:** Is the City required to apply a property tax administration fee to the entire tax bill of its citizens?

**Answer:** The City may impose a property tax administration fee to its citizens' tax bill, up to 1% of the total bill. Therefore, if the City so desires, it may apply an administrative fee across the entire tax bill, so long as the total value of the fee does not exceed 1% of the total tax bill; rather than applying the administrative fee to select taxes within the total bill.

**Question 1:**

### LAW

The General Property Tax Act 206 of 1893

MCL 211.78a(3):

(3) A county property tax administration fee of 4% and, except as provided in section 78g(3)(c), interest computed at a non-compounded rate of 1% per month or fraction of a month on the taxes that were originally returned as delinquent, computed from the date that the taxes originally became delinquent, shall be added to property returned as delinquent under this section. A county property tax administration fee provided for under this subsection shall not be less than \$1.00.

ANALYSIS

Upon my review of this matter, it appears that amending the City's local ordinance Chapter 32, Article I, Section 32-1-*Taxes and collection charges*, to a monthly 1% interest fee for delinquent taxes will achieve conformity with state law. Whereas the City currently charges 2% on delinquent taxes that are not paid by the first day of September. Lastly, Section 32-1 caps the total delinquent collection charge at 4%, however, this appears to be a self-imposed by the City. The City may continue to apply the 1% delinquent fee until said delinquent taxes are turned over to the County, which is March 1<sup>st</sup> of the following tax year.

**Question 2:**

LAW

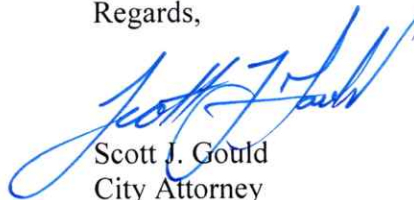
The General Property Tax Act 206 of 1893

MCL 211.44(3): Except as provided by subsection (7), on a sum voluntarily paid before February 15 of the succeeding year, the local property tax collecting unit shall add a property tax administration fee of not more than 1% of the total tax bill per parcel...

ANALYSIS

A city council may impose, by resolution, a property tax administration fee up to 1% on all property taxes. Because the referenced statute caps the total tax percentage, the City may impose an administrative fee so long as it does not exceed 1% of the total tax bill per parcel. Therefore, if the City so desires, it may apply 1% uniformly across a parcel's entire bill; rather than on select taxes within the total bill.

Regards,



Scott J. Gould  
City Attorney  
(989-) 729-0071

SJG/mlh

cc: Nathan Henne  
Amy Kirkland  
Kathy Fagan

**ORDINANCE NO.**

**APPROVING AMENDMENT TO CHAPTER 32, TAXATION,  
OF THE CODE OF ORDINANCES  
TO BRING THE ORDINANCE INTO COMPLIANCE WITH STATE LAW**

WHEREAS, the City of Owosso, Shiawassee County, Michigan has an ordinance that establishes the parameters for the collection of City taxes; and

WHEREAS, the ordinance has become outdated and must be amended to bring it into compliance with the General Property Tax Act, Act 206 of 1893, as amended; and

WHEREAS, the City Council held a public hearing on May 1, 2023, [heard all interested persons](#), and deliberated on the proposed ordinance amendments.

NOW, THEREFORE, BE IT RESOLVED, THAT THE CITY OF OWOSSO, SHIAWASSEE COUNTY, MICHIGAN ORDAINS THAT:

SECTION 1. AMENDMENT. That Chapter 32, Taxation, Article I, *In General*, Sec. 32-1, Taxes and collection charges, shall read as follows:

**Sec. 32-1. — Taxes and collection charges.**

- (a) City taxes, assessments and charges due and payable July 1 that are paid on or before August 31 shall be collected by the city treasurer without additional charge. There shall be added to such taxes, assessments and charges not paid collection charges of one (1) percent on the first day of September and one (1) percent on the first day of each succeeding month thereafter until the closing of the city tax roll, when turned over delinquent to County Treasurer. The collection charge herein provided shall be a lien against the property to which the taxes themselves apply, collectible in the same manner as the taxes to which they are added. City taxes, assessments and charges unpaid at the closing of the city tax roll shall be noted on the billing for the December tax roll upon which the county and school taxes are collected.
- (b) Taxes, assessments and charges on the December tax roll paid on or before February 14 of the succeeding year shall be collected by the city treasurer without additional charge. There shall be added to such taxes, assessments and charges not paid and city taxes, assessments and charges remaining unpaid an additional three (3) percent collection charge until the end of February.
- (c) The City imposes for the years 2023 and thereafter a property tax administration fee of one percent of the property tax.
- (d) The City Treasurer is hereby directed to collect the one percent property tax administration fee hereby authorized.

SECTION 2. SEVERABILITY. The various parts, sections and clauses of this Ordinance are hereby declared to be severable. If any part, sentence, paragraph, section, or clause is adjudged unconstitutional or invalid by a court of competent jurisdiction, the remainder of the Ordinance shall not be affected thereby.

SECTION 3. AVAILABILITY. This ordinance may be purchased or inspected in the City Clerk's office, Monday through Friday between the hours of 9:00 a.m. and 5:00 p.m.

SECTION 4. EFFECTIVE DATE. This amendment shall become effective May 22, 2023.