



## Legislation Details (With Text)

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<b>Title:</b>	Resolution to Approve a Waiver of Late Penalty Charge for Late Tax Payments in Response to the COVID-19 Novel Coronavirus Pandemic				
<b>Sponsors:</b>	Christopher Taylor, Jane Lumm, Ali Ramlawi, Zachary Ackerman, Elizabeth Nelson, Anne Bannister, Jack Eaton				
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Date	Ver.	Action By	Action	Result
5/4/2020	1	City Council	Approved	Pass
5/4/2020	3	City Council	Approved	Pass

### Resolution to Approve a Waiver of Late Penalty Charge for Late Tax Payments in Response to the COVID-19 Novel Coronavirus Pandemic

The crisis associated with the COVID-19 Novel Coronavirus Pandemic has resulted in extreme financial hardship for many businesses and difficult economic circumstances for many Ann Arbor residents. City Staff has researched actions that the Council can take to assist businesses and residents in navigating this crisis.

One such action is the waiver of the late penalty charge (interest) for tax payments. MCL Chapter 211 (General Property Tax Act) establishes the basis for taxation of real and personal property, as well as the due dates and penalties related to tax collection. MCL Chapter 117 (Home Rule City Act) establishes the authority to adjust some of these parameters by the adoption of a City Charter. The Charter of the City of Ann Arbor adjusts the statutory dates and interest rates in Section 9.21. As the Charter currently reads, Summer tax is due July 31 and Winter tax is due December 31. Interest accrues as follows (all amounts are non-compounding):

	Summer	Winter
August 1	1%	
September 1	5%	
January 1	6%	1%
February 1	7%	2%

A waiver of only the August 1 late penalty charge (interest) on Summer tax would result in a loss of approximately \$50,000.00 to the City's General Fund. Additionally, City Staff estimates that investment income will be reduced by approximately \$87,000.00.

A subsequent waiver of half (2.5%) of the September 1 late penalty charge (interest) on Summer tax would result in a loss of approximately \$110,000.00 to the City's General Fund. This would likely provide sufficient incentive to pay by August 31, and significantly reduce the penalty for those who cannot pay at that time. Although it is difficult to predict payment behavior, City Staff estimates that investment income will be reduced by approximately \$100,000.00.

The waiver of penalty may result in a delay in revenue collections for all taxing authorities. City Staff has reached out to Ann Arbor Public Schools, Ann Arbor Area Transit Authority, Ann Arbor District Library, Downtown Development Authority, Washtenaw Community College, Washtenaw Intermediate School District, and Washtenaw County regarding this potential cash flow delay. These entities did not indicate that a waiver or potential collection delay would produce significant cash flow issues at this time.

Many taxpayers fund tax payments through escrow. These payments are handled under the terms of the escrow agreement between the mortgagor (taxpayer) and the mortgagee (bank). Because such agreements generally do not give the mortgagor the benefit of any City waiver of the late penalty charge, City Staff recommends that this waiver not apply to tax payments that have been escrowed by financial institutions on behalf of mortgagors (taxpayers).

Prepared by: Matthew V. Horning, Interim Financial Services Area Administrator & CFO

Reviewed by: Betsy Blake, Senior Assistant City Attorney

Approved by: Tom Crawford, Interim City Administrator

Whereas, The crisis associated with the COVID-19 Novel Coronavirus Pandemic has resulted in extreme financial hardship for some businesses and difficult economic circumstances for many Ann Arbor residents;

Whereas, City Staff has researched, and continues to research, actions that the City Council can take to assist businesses and residents in navigating this crisis;

Whereas, MCL 211.44(4) allows for a City Council authorized action that may be used as a remedy to alleviate a portion of the financial burden related to property tax;

Whereas, Under this section, City Council may waive all or part of the property tax late penalty charge;

Whereas, City governments rely on property tax collections to fund essential and other services;

Whereas, The City Council encourages all property owners with the means to pay taxes do so by the July 31 due date so that City, County, School, Transportation, Library, and other vital services remain funded;

Whereas, City Council desires to waive the August 1 late penalty charge (interest) of one percent for Summer tax payments that are paid late;

Whereas, City Council desires to waive two and one half percent (half) of the September 1 late penalty charge (interest) of five percent for Summer tax payments that are paid late; and

Whereas, City Council desires that this waiver not apply to tax payments made pursuant to a tax escrow agreement by financial institutions related to taxpayers' mortgage;

RESOLVED, That City Council approve a waiver of the August 1 interest of one percent for late Summer tax payments for Tax Year 2020 (Fiscal Year 2021);

RESOLVED, That City Council approve a waiver of two- and one-half percent (half) of the September 1 late penalty charge (interest) of five percent for Summer tax payments for Tax Year 2020 (Fiscal Year 2021);

RESOLVED, That City Council approve that this waiver not apply to tax payments that have been escrowed by financial institutions on behalf of property taxpayers; and

RESOLVED, That the City Council encourages all property owners with the means to pay taxes do so by the July 31 due date so that City, County, School, Transportation, Library, and other vital services remain funded.

Sponsored by: Mayor Taylor and Councilmembers Lumm, Ramlawi, Ackerman, Nelson, Bannister, and Eaton