



## Legislation Text

File #: 20-1681, Version: 1

### Resolution to Approve a Waiver of Late Penalty Charges for 2020 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 January 1 late penalty charge (1%) on Winter tax would result in a loss of approximately \$18,000.00 to the City's General Fund.

A subsequent waiver of the February 1 late penalty charge (2%) on Winter tax would result in a loss of approximately \$22,000.00 to the City's General Fund. This significantly reduces the penalty for those who cannot pay at that time.

For Summer collections, City Staff 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. The waiver of penalty only resulted in a slight delay in revenue collections for all taxing authorities and did not produce a significant cash flow issue. By August 31, collection rates exceeded 2019 levels by nearly 3%.

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, 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 December 31 due date so that City, County, School, Transportation, Library, and other vital services remain funded;

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

Whereas, City Council desires to waive the February 1 late penalty charge (interest) of two percent for 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 January 1 late penalty charge (interest) of one percent for late tax payments for Tax Year 2020 (Fiscal Year 2021);

RESOLVED, That City Council approve a waiver of the February 1 late penalty charge (interest) of two percent for late 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 December 31 due date so that City, County, School, Transportation, Library, and other vital services remain funded.

Sponsored by: Councilmembers Ramlawi, Lumm and Bannister