DetroitRegionalChamber
Powering the economy for Southeast Michigan

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September 21, 2016

Testimony to the House Tax Policy Committee
in support of House Bill 5765

Serving the business community for more than 100 years, the Detroit Regional Chamber takes pride in advocating on behalf of businesses throughout the city and region. As one of the most influential chambers of commerce in the country, our members look for us to collaborate with government partners in support of Michigan's reinvention and continued economic growth.

A reliable, predictable, and efficient tax system is an essential part of Michigan's ability to attract and retain business. As Michigan's sole court of jurisdiction for property tax appeals, the Tax Tribunal is an essential – and high profile – part of the state's regulatory landscape.

Despite the importance of the Tribunal and the measurable impact it can have on both residential and commercial taxpayers, the Tribunal's operational framework has remained largely unchanged over the past decades; in the meantime, Michigan's judicial courts, as well as other tax courts around the nation, have adapted and evolved. This is evident in the disparity between Michigan's model and the ABA Model Act, as well as negative marks on various tax appeals and administration score cards such as the Council on State Taxation's "Best and Worst" report.

Meanwhile, the Tribunal has become considerably more expensive for taxpayers. The elimination of general fund appropriation during the great recession and a declining caseload – and thus, fee revenue – over the past few years has drastically reduced the Tribunal's budget. Despite significant budget cuts and staff reductions, the Tribunal has repeatedly been forced to raise fees, making Michigan's property tax appeals process the second-most expensive in the nation.

The Chamber has identified three key objectives to be achieved in any meaningful Tribunal reform: (1) attract and retain talented Tribunal members; (2) ensure affordability and accessibility for taxpayers; and (3) promote efficient procedures and thorough decisions. Each of these goals work collaboratively to improve the proficiency of tax dispute resolution in Michigan.

Recognizing that there is not a single solution or model for tax appeals, House Bill 5765 is the result of exploring a multiplicity of potential reforms. The bill as presented to this committee encompasses the feedback of a wide variety of stakeholders, utilizing their distinct competences and experience; as a result, we are proud to represent a broad and inclusive coalition of organizations including business, government, and local communities.

By adopting House Bill 5765, this legislature will continue to prioritize pro-taxpayer reforms, increase accessibility to our judicial system for Michigan residents, and create an operational framework better suited for the unique, sophisticated opinions required of our Tribunal judges. On behalf of the Chamber and our members, I thank you for your support of this important legislation.

Sincerely,

Jason Puscas
Director, Government Relations

Key Objectives
& Relevant Reforms

(1) Tribunal Membership

- **Member salaries** – increase member salaries from $93,000 to approximately $125,000.
- **Amend conflict statute** – lessen the prohibitions on members outside of their role on the Tribunal to more accurately reflect Michigan's judicial canons, which allow reasonable outside employment, activities, and self-representation.
- **Permit part-time members** – help attract semi-retired or retired professionals who may not be willing or able to dedicate themselves to a full-time position.
- **Member training** – increase training opportunities and requirements for Tribunal members.
- **Solicit feedback on open positions** – require the Governor to consider a list of qualified potential members from an appropriate professional association before filling an opening.
- **Permit member removal** – allow the Governor to remove a member with cause.

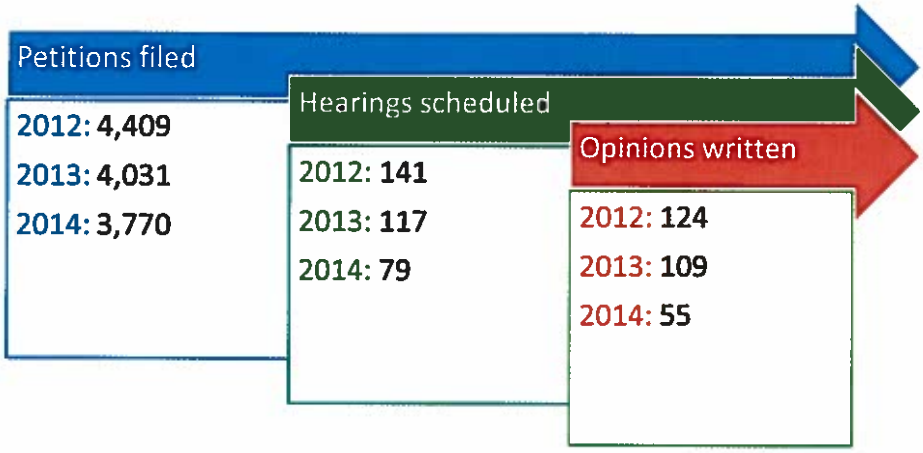
(2) Affordability and Accessibility

- **Small Claims threshold** – increase the small claims threshold for property cases from SEV $100,000 to SEV $250,000, and non-property cases from $20,000 to $100,000.
- **Fees** – enable the lowering of fees through appropriation in order to ensure that residents are able to afford appealing to the Tribunal.
- **Appeals deadline** – Extend appeals deadlines to 90 days, consistent with Court of Claims.
- **Decision deadline** – Create a statutory timeline for when decisions should be released.
- **Regional offices** – permit regional offices, offering more convenient locations for residents who may not live close to Lansing.

(3) Procedures and Decisions

- **Disqualifications** – outline the criteria and process of disqualifying a member from a proceeding, consistent with the Michigan court rules.
- **Administrative rules** – require the promulgation of various administrative rules to create greater transparency and accountability for the Tribunal's operations.
- **Pro Tempore members** - Permit the Governor to appoint temporary members to the Tribunal when needed (i.e. increased caseload, incapacitated member, etc.)
- **Hearing process** – add an option that, at the discretion of the chair or upon motion by both parties, an Entire Tribunal case be heard by a three-judge panel, consisting of an attorney, a non-attorney, and a member chosen randomly by lot.
- **Administrative Law Judges** – prohibit ALJ's from hearing Entire Tribunal cases.
- **Member assignments** – require that members be randomly assigned to cases consistent with Michigan's court rules, unless otherwise stated in publicly promulgated admin. rules.

Tax Tribunal Caseload (fee revenue baseline)



Fee Comparison, Tax Tribunal vs. District Court

Tax Tribunal	Fee	District Court	Fee
Property tax appeals (single parcel)	$250-600	General Civil	$25-150
Property tax appeals (multiple parcels)	$275-2000		
Special assessment / non-property	$250		
Summary judgment / immediate consideration	$100	Summary proceedings	$25-150
Consent judgment	$50		
Certification of the record	$100	Appeals from District	$15
Filing of other motions	$50	Motion fee	$20
Small claims - principal residence	$0	Small claims	$25-65
Small claims - other (single parcel)	$125-300		
Small claims - other (multiple parcels)	$150-1250		
Small claims - special asses. / imm. cons.	$100		