

**SENATE BILL NO. 1368**

November 12, 1998, Introduced by Senator SCHUETTE and referred to the Committee on Economic Development, International Trade and Regulatory Affairs.

A bill to allow for the identification of tax delinquent residential rental property eligible for accelerated foreclosure; to permit the accelerated foreclosure of tax delinquent residential rental property; to require certain procedures of certain state departments and certain local units of government; to prohibit certain civil and administrative actions; and to provide for the disposition of foreclosed tax delinquent residential rental property.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 1. This act shall be known and may be cited as the  
2 "Michigan tax delinquent residential rental property identifica-  
3 tion and accelerated foreclosure act".

4       Sec. 2. As used in this act:

5       (a) "Collecting unit" means a city, township, or county that  
6 utilizes this act to collect delinquent taxes on, and to

1 accelerate the foreclosure of, tax delinquent residential rental  
2 property.

3 (b) "Delinquent taxes" means real property taxes that have  
4 been returned as delinquent under the general property tax act.  
5 Delinquent taxes include any interest, penalty, fee, or other  
6 cost authorized under the general property tax act.

7 (c) "General property tax act" means the general property  
8 tax act, 1893 PA 206, MCL 211.1 to 211.157.

9 (d) "Local tax collecting unit" means a city or township.

10 (e) "Local unit of government" means a city, village, or  
11 township.

12 (f) "Occupant" means the person or persons residing in tax  
13 delinquent residential rental property, whether under a lease,  
14 land contract, or otherwise.

15 (g) "Owner" means the person or persons who hold legal title  
16 to tax delinquent residential rental property.

17 (h) "Tax delinquent residential rental property" means prop-  
18 erty occupied by a person or persons other than the owner of that  
19 property pursuant to a lease or land contract and on which taxes  
20 have been returned as delinquent under the general property tax  
21 act. Tax delinquent residential rental property includes a  
22 multi-unit residential structure of 6 units or less.

23 Sec. 3. (1) On or before March 1 in any tax year, a local  
24 tax collecting unit may, by resolution approved at a meeting held  
25 pursuant to the open meetings act, 1976 PA 267, MCL 15.261 to  
26 15.275, elect to collect delinquent taxes on, and to accelerate

1 the foreclosure of, tax delinquent residential rental property  
2 under this act.

3 (2) If a local tax collecting unit does not elect to utilize  
4 this act pursuant to subsection (1), the county in which the  
5 local tax collecting unit is located shall collect delinquent  
6 taxes on tax delinquent residential rental property under this  
7 act.

8 Sec. 4. (1) Delinquent taxes on tax delinquent residential  
9 rental property may be collected under this act and the tax  
10 delinquent residential rental property is subject to accelerated  
11 foreclosure under this act if all of the following procedures are  
12 complied with:

13 (a) A representative of the collecting unit made a personal  
14 inspection of the tax delinquent residential rental property  
15 under the Michigan abandoned property identification and acceler-  
16 ated foreclosure act and determined that the tax delinquent resi-  
17 dential rental property is occupied by a person with a legal  
18 interest in the tax delinquent residential rental property.

19 (b) The person occupying the tax delinquent residential  
20 rental property is not the owner of the tax delinquent residen-  
21 tial rental property. The collecting unit shall determine if the  
22 person occupying the tax delinquent residential rental property  
23 is the owner of the tax delinquent residential rental property by  
24 reference to all of the following:

25 (i) A list of rental properties maintained by the local unit  
26 of government in which the tax delinquent residential rental  
27 property is located.

1       (ii) Assessing records of the local tax collecting unit.

2       (iii) Affidavits for homestead exemptions maintained by the  
3 department of treasury pursuant to section 7cc of the general  
4 property tax act, MCL 211.7cc.

5       (2) If delinquent taxes on tax delinquent residential rental  
6 property are not eligible to be collected under this act pursuant  
7 to subsection (1), the delinquent taxes shall be collected under  
8 the general property tax act.

9       Sec. 5. (1) The collecting unit shall provide written  
10 notice to the occupant and to the owner of tax delinquent resi-  
11 dential rental property that delinquent taxes levied on the tax  
12 delinquent residential rental property are subject to collection  
13 under this act, which, if not paid, may result in accelerated  
14 foreclosure and eviction.

15       (2) If delinquent taxes levied on tax delinquent residential  
16 rental property are not paid within 6 months of the notice pro-  
17 vided under subsection (1), the collecting unit shall send a  
18 second notice to the occupant and to the owner of the tax delin-  
19 quent residential rental property providing the same information  
20 set forth in subsection (1).

21       Sec. 6. (1) If delinquent taxes levied on tax delinquent  
22 residential rental property are not paid within 6 months of the  
23 notice provided under section 5(2), the collecting unit shall  
24 conduct, or contract with a private vendor to conduct, a title  
25 search for each parcel of tax delinquent residential rental prop-  
26 erty subject to the collection of delinquent taxes and  
27 accelerated foreclosure under this act.

1 (2) The collecting unit or private vendor under contract  
2 with the collecting unit may utilize the qualified voter file  
3 established under section 509o of the Michigan election law, 1954  
4 PA 116, MCL 168.509o, to confirm the address of the owner and any  
5 person with a legal interest in each parcel of tax delinquent  
6 residential rental property subject to the collection of delin-  
7 quent taxes and accelerated foreclosure under this act.

8 Sec. 7. (1) After conducting the title search required  
9 under section 6, the collecting unit, or a private vendor under  
10 contract with the collecting unit, shall send notice by certified  
11 mail, return receipt requested, to the occupant, the owner, and  
12 all persons with a legal interest in each parcel of tax delin-  
13 quent residential rental property subject to the collection of  
14 delinquent taxes and accelerated foreclosure under this act. If  
15 the collecting unit or private vendor under contract with the  
16 collecting unit is unable to ascertain the whereabouts or the  
17 post office address of the owner or any person with a legal  
18 interest in the tax delinquent residential rental property  
19 subject to the collection of delinquent taxes and accelerated  
20 foreclosure under this act, service of the notice shall be made  
21 by publication. The notice shall be published for 4 successive  
22 weeks, once each week, in a newspaper published and circulated in  
23 the county in which the tax delinquent residential rental prop-  
24 erty is located, if there is one. If no newspaper is published  
25 in that county, publication shall be made in a newspaper pub-  
26 lished and circulated in an adjoining county. Proof of  
27 publication, by affidavit of the printer or publisher of the

1 newspaper, shall be filed with the register of deeds in the  
2 county in which the tax delinquent residential rental property is  
3 located. This publication shall be instead of personal service  
4 on the owner or any person with a legal interest in the tax  
5 delinquent residential rental property whose whereabouts cannot  
6 be ascertained.

7 (2) The notice required under subsection (1) shall include,  
8 but is not limited to, all of the following:

9 (a) A statement that taxes levied on the tax delinquent res-  
10 idential rental property are delinquent and that the tax delin-  
11 quent residential rental property is scheduled for accelerated  
12 foreclosure.

13 (b) Instructions for redemption, including a statement of  
14 all delinquent taxes.

15 (c) The time, date, and location of the forfeiture hearing  
16 authorized under section 9 at which the occupant, the owner, or a  
17 person with a legal interest in the tax delinquent residential  
18 rental property may object to the forfeiture of the tax delin-  
19 quent residential rental property for any of the reasons set  
20 forth in section 98 of the general property tax act, MCL 211.98.

21 (d) A statement setting forth all of the following:

22 (i) If the occupant of the tax delinquent residential prop-  
23 erty is making payments to a lessor or land contract vendor pur-  
24 suant to a lease or land contract, the occupant may begin to make  
25 those payments to an escrow account.

26 (ii) The proceeds of an escrow account established pursuant  
27 to subparagraph (i) may be turned over to the collecting unit to

1 pay all delinquent taxes and any unpaid tax levied on the tax  
2 delinquent residential rental property in the current tax year.

3 (iii) If the occupant makes the payments due under the lease  
4 or land contract into an escrow account established pursuant to  
5 subparagraph (i), the lessor or land contract vendor shall not  
6 commence an action against the occupant in any court or before  
7 any administrative agency as a result of the nonpayment of the  
8 lease or land contract payments.

9 Sec. 8. (1) The collecting unit shall send a list of all  
10 tax delinquent residential rental property for which it has con-  
11 ducted a title search pursuant to section 6 to the family inde-  
12 pendence agency.

13 (2) The family independence agency shall determine, and  
14 shall inform the collecting unit, if it is making vendor payments  
15 to the owner of any parcel of tax delinquent residential rental  
16 property included in the list submitted under subsection (1).

17 (3) If the family independence agency determines that it is  
18 making vendor payments to the owner of tax delinquent residential  
19 rental property included in the list submitted under subsection  
20 (1), the family independence agency shall make all future vendor  
21 payments for that tax delinquent residential rental property to  
22 an escrow account until the escrow account contains a sufficient  
23 amount to satisfy all delinquent taxes and any unpaid tax levied  
24 on the tax delinquent residential rental property in the current  
25 tax year. The family independence agency shall advise the vendor  
26 that the proceeds of the escrow account may be turned over to the  
27 collecting unit for payment of all delinquent taxes.

1 (4) A vendor shall not commence an action against the family  
2 independence agency in any court or before any administrative  
3 agency as a result of the deposit of vendor payments into an  
4 escrow account under this section.

5 Sec. 9. (1) If delinquent taxes levied on the tax delin-  
6 quent residential rental property are not paid within 6 months of  
7 the notice provided under section 7, the collecting unit may  
8 petition the circuit court in the county in which the tax delin-  
9 quent residential rental property is located to enter a judgment  
10 forfeiting the tax delinquent residential rental property to the  
11 local unit of government in which the tax delinquent residential  
12 rental property is located. A judgment forfeiting the title to  
13 tax delinquent residential rental property under this section  
14 forfeits title to all parcels of tax delinquent residential  
15 rental property set forth on a separate attachment to the com-  
16 plaint and incorporated into the complaint by reference.

17 (2) In a forfeiture action brought under this section, the  
18 delinquent property taxes and the notice provided under sections  
19 5 and 7 are prima facie evidence in support of a judgment for-  
20 feiting the title to the tax delinquent residential rental prop-  
21 erty to the local unit of government in which the tax delinquent  
22 residential rental property is located.

23 (3) If the court enters a judgment forfeiting the title to  
24 the tax delinquent residential rental property to the local unit  
25 of government in which the tax delinquent residential rental  
26 property is located, the court shall issue a tax deed for the tax

1 delinquent residential rental property to the local unit of  
2 government.

3       Sec. 10. (1) If the circuit court of the county in which  
4 tax delinquent residential rental property is located enters a  
5 judgment forfeiting the tax delinquent residential rental prop-  
6 erty to the local unit of government in which the tax delinquent  
7 residential rental property is located and issues a tax deed for  
8 the tax delinquent residential rental property to the local unit  
9 of government pursuant to section 9, the collecting unit or a  
10 private vendor under contract with the collecting unit shall send  
11 notice of that forfeiture by certified mail, return receipt  
12 requested, to the occupant, the owner, and all persons with a  
13 legal interest in each parcel of tax delinquent residential prop-  
14 erty forfeited. If the collecting unit or private vendor under  
15 contract with the collecting unit is unable to ascertain the  
16 whereabouts or the post office address of the owner or any person  
17 with a legal interest in the tax delinquent residential property  
18 forfeited, service of the notice shall be made by publication.  
19 The notice shall be published for 4 successive weeks, once each  
20 week, in a newspaper published and circulated in the county in  
21 which the forfeited tax delinquent residential property is  
22 located, if there is one. If no newspaper is published in that  
23 county, publication shall be made in a newspaper published and  
24 circulated in an adjoining county. Proof of publication, by  
25 affidavit of the printer or publisher of the newspaper, shall be  
26 filed with the register of deeds in the county in which the  
27 forfeited tax delinquent residential property is located. This

1 publication shall be instead of personal service on the owner and  
2 any person with a legal interest in the tax delinquent residen-  
3 tial rental property whose whereabouts cannot be ascertained.

4 (2) The notice required under subsection (1) shall include,  
5 but is not limited to, all of the following:

6 (a) A statement that the court entered a judgment forfeiting  
7 the title to the tax delinquent residential rental property and  
8 issued a tax deed to that tax delinquent residential rental prop-  
9 erty to the local unit of government in which the tax delinquent  
10 residential rental property is located.

11 (b) A statement that the collecting unit may commence a  
12 quiet title action for that tax delinquent residential rental  
13 property if it is not redeemed within 90 days of notice under  
14 this section.

15 (c) Instructions for redemption, including a statement of  
16 all delinquent taxes due.

17 (d) The time, date, and location of the hearing authorized  
18 under section 11 at which the owner or a person with a legal  
19 interest in the tax delinquent residential rental property may  
20 object to the accelerated foreclosure of the tax delinquent resi-  
21 dential rental property.

22 Sec. 11. (1) Unless redeemed, not sooner than 90 days after  
23 notice is provided to the occupant, the owner, and all persons  
24 with a legal interest in each parcel of tax delinquent residen-  
25 tial rental property as provided in section 10, the collecting  
26 unit may schedule a hearing to show cause why absolute title to  
27 the tax delinquent residential rental property should not vest in

1 the local unit of government in which the tax delinquent  
2 residential rental property is located.

3 (2) A hearing under subsection (1) may be conducted by an  
4 existing department within the collecting unit, an entity created  
5 by the collecting unit for that purpose, or a private vendor  
6 under contract with the collecting unit or entity created by the  
7 collecting unit.

8 (3) The occupant, the owner, or any person with a legal  
9 interest in the tax delinquent residential rental property may  
10 appear at the hearing held under this section and redeem the tax  
11 delinquent residential rental property or show cause why title to  
12 the tax delinquent residential rental property should not vest in  
13 the local unit of government in which the tax delinquent residen-  
14 tial rental property is located for any of the reasons set forth  
15 in section 98 of the general property tax act, MCL 211.98.

16 (4) Any determination made at the hearing conducted under  
17 this section is prima facie evidence in a quiet title action  
18 brought in the circuit court in the county in which the tax  
19 delinquent residential rental property is located.

20 Sec. 12. (1) After the hearing provided for in section 11,  
21 a collecting unit may bring a quiet title action in the circuit  
22 court in the county in which the tax delinquent residential  
23 rental property is located. A quiet title action under this sec-  
24 tion shall determine title for all parcels of previously for-  
25 feited tax delinquent residential rental property set forth on a  
26 separate attachment to the complaint and incorporated into the  
27 complaint by reference.

1 (2) If a collecting unit brings a quiet title action under  
2 subsection (1) and the circuit court enters a judgment vesting  
3 absolute title to the tax delinquent residential rental property  
4 in the local unit of government in which the tax delinquent resi-  
5 dential rental property is located, all prior interests in the  
6 tax delinquent residential rental property are canceled.

7 Sec. 13. If the circuit court enters a judgment vesting  
8 absolute title to tax delinquent residential rental property in  
9 the local unit of government in which the tax delinquent residen-  
10 tial rental property is located pursuant to section 12, all of  
11 the following apply:

12 (a) Any funds in an escrow account established by an occu-  
13 pant pursuant to section 7 shall first be applied to satisfy the  
14 delinquent taxes and any unpaid tax levied on that tax delinquent  
15 residential rental property in the current tax year. Any remain-  
16 ing balance shall be disbursed to the person who acquires title  
17 to the tax delinquent residential rental property from the local  
18 unit of government.

19 (b) Any funds in an escrow account established by the family  
20 independence agency pursuant to section 8 shall first be applied  
21 to satisfy the delinquent taxes and any unpaid tax levied on that  
22 tax delinquent residential rental property in the current tax  
23 year. Any remaining balance shall be returned to the family  
24 independence agency to offset costs incurred.

25 (c) The local unit of government shall attempt to dispose of  
26 the tax delinquent residential rental property in a manner that  
27 does not displace an occupant who made payments in good faith

1 either to a lessor, a land contract vendor, or an escrow account  
2 established pursuant to section 7.

3 (d) The local unit of government shall not adversely alter  
4 the terms of the occupant's lease or land contract.

5 (e) The local unit of government shall offer the occupant  
6 the right of first refusal to purchase the tax delinquent resi-  
7 dential rental property from the local unit of government or  
8 shall give the occupant priority to homestead the tax delinquent  
9 residential rental property if the tax delinquent residential  
10 rental property is referred to a homestead program under the  
11 Michigan urban homestead act.

12 (f) If the tax delinquent residential rental property is  
13 occupied by more than 1 family, the local unit of government  
14 shall offer the occupants the opportunity to form a consumer  
15 housing cooperative pursuant to the state housing development  
16 authority act of 1966, 1966 PA 346, MCL 125.1401 to 125.1499c.

17 Sec. 14. If a circuit court enters a judgment vesting abso-  
18 lute title to the tax delinquent residential rental property in  
19 the local unit of government in which the tax delinquent residen-  
20 tial rental property is located pursuant to section 12, subject  
21 to section 13, the local unit of government may do 1 or more of  
22 the following with the tax delinquent residential rental  
23 property:

24 (a) Demolish any unsafe structure located on the tax delin-  
25 quent residential rental property.

26 (b) Remediate any environmental contamination found on the  
27 tax delinquent residential rental property or notify the

1 department of environmental quality or other appropriate  
2 organization regarding the existence of environmental contamina-  
3 tion on the tax delinquent residential rental property.

4 (c) Sell the tax delinquent residential rental property to a  
5 private purchaser by auction or direct marketing.

6 (d) Transfer the tax delinquent residential rental property  
7 to a homestead program if a homestead program exists and the tax  
8 delinquent residential rental property meets the specifications  
9 of the homestead program.

10 (e) Transfer the tax delinquent residential rental property  
11 to a nonprofit organization for rehabilitation and reuse.

12 (f) Retain the tax delinquent residential rental property  
13 for a specific public purpose, including, but not limited to, a  
14 park, zoo, or university, or as part of an existing project with  
15 an anticipated completion date of not more than 2 years after the  
16 date title to the tax delinquent residential rental property  
17 vests in the local unit of government.