

A SUMMARY OF HOUSE BILL 4133 AS INTRODUCED 2-2-99

The bill would amend the General Property Tax Act to permit the deferral of property taxes for low-income senior citizen homeowners. The delinquent taxes on the homesteads of those who qualify would be withheld from the annual tax lien sale upon request. If taxes had already been sold to a private buyer or had been bid off to the state, the property would not be subject to the usual subsequent proceedings or to any tax deed or certificate of sale. Counties would be reimbursed by the state. Before a homestead could be withheld from the sale, the state treasurer would have to deliver to the county treasurer an amount equal to the taxes, interest, and penalty that would otherwise be collectable at the sale from which the property was excluded. (Note: Local units typically would already have been compensated for the lost taxes by the county out of a county revolving fund for delinquent taxes.) Deferred taxes on a homestead would be limited to 80 percent of the owner's equity. Overall, deferred taxes in a county could not exceed two percent of the delinquent taxes in all taxing units in the county in that year.

The bill would apply to a senior citizen with a household income in the immediately preceding calendar year under 187.5 percent of the federal poverty level for two persons or for the number of persons in the household, whichever is greater. [This would be about \$20,000, according to information from House Tax Policy Committee staff in previous sessions on a similar bill.] It would also apply to an adult in need of protective services. To qualify, a person would have to have applied for and assigned to the state all homestead property tax credits claimable during the period taxes are deferred. The term "senior citizen" would refer to a person 65 years of age or older and would include the unremarried surviving spouse of a person 65 years of age or older at the time of death.

The application for the withholding of property from sale would be made upon an affidavit to the county treasurer, who would forward the affidavit to the state treasurer for a determination of eligibility. The affidavit would have to identify any mortgagee of the property. If the state treasurer notified the county treasurer that a person was qualified and delivered the required payment no later than the Tuesday before the sale, the county treasurer would withhold the property from the sale. The state treasurer would have to notify any mortgagee that a property owner qualified for the tax deferral.

In the event taxes had already been sold or bid off, an owner would have to apply to the treasury department to halt any subsequent proceedings. If the applicant qualified, the department would notify the county treasurer and any holder of a tax sale certificate or tax deed of its finding.

(Tax purchasers would be "conclusively presumed" to know without notice that any purchase is made subject to the provisions of this bill. However, if taxes were deferred, a purchaser could redeem the tax sale certificate or tax deed from the state treasurer for the purchase price.) If property of a qualified owner had been conveyed to the state, the state treasurer would issue a certificate canceling the deed and record the certificate with the county register of deeds. In such cases, taxes and special assessments that otherwise would have been canceled would not be canceled or omitted from the tax roll.

Taxes would be deferred without penalty and would bear interest of three-quarters of one percent per month (that is, nine percent annually). Only taxes that had been advertised for sale could be deferred; the deferral of subsequent taxes would require additional applications. A deferment would end when a person no longer qualified; one year after a qualified owner's death; or when any part of a homestead was conveyed or transferred or the owner entered a contract to sell the homestead. The bill also says the death of a spouse would not terminate a deferment of taxes on a homestead owned by a husband and wife unless the surviving spouse remarried. The treasury department would be required to verify annually that a person remained qualified and still lived in the property, and would be required to secure assignments to the state of homestead property tax credit, income tax refunds, and the proceeds from property and casualty insurance on the property sufficient to pay the amount of the lien. The state would have to pay for insurance if the property owner did not and add that amount to the lien. Taxes so deferred would be a lien against the property and take precedence over other liens to the same extent as if the taxes were not deferred.

[Note: The bill as currently written would not apply to taxes returned delinquent before March 1, 1992, or after February 28, 1996. For taxes returned delinquent before March 1, 1993, however, an application for deferment could not be made unless the redemption period had expired or the taxes had been paid (by someone other than the owner) through the issuance of a certificate of sale or a tax deed. This bill is much the same as House Bill 4001 of 1993; the same dates are found in that bill and would appear to be in need of updating five years later.]

The bill also would require that tax sale advertising include the street address of parcels when available.

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