

# Legislative Analysis



## PROPERTY TAX REVERSION

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**House Bill 5717 (Substitute H-1)**

**Sponsor: Rep. Lee Gonzales**

**Committee: Tax Policy**

**Complete to 11-29-06**

## A SUMMARY OF HOUSE BILL 5717 AS REPORTED FROM COMMITTEE

For taxes levied before January 1, 1999, the General Property Tax Act imposes a \$10 charge on all descriptions of property with unpaid taxes as of the October 1<sup>st</sup> preceding the tax lien sale, and splits the charge evenly between the appropriate county and the Delinquent Property Tax Administration Fund. The bill would redirect the state's portion of the charge to the Land Reutilization Fund, beginning January 1, 2006.

In addition, the bill would permit the state treasurer to transfer to the Land Reutilization Fund, the remaining balance in the Delinquent Property tax Administration Fund.

MCL 211.59 and 211.78n

## FISCAL IMPACT:

The bill would authorize the transfer of the balance of the Delinquent Property Tax Administration Fund to the Land Reutilization Fund. According to the Department of Treasury, the current balance of the Delinquent Property Tax Administration Fund is \$911,487. Re-directing the \$5 to the Land Reutilization Fund would not have a significant fiscal impact as each year there are fewer properties subject to the pre-1999 tax reversion process. In FY 2006, the \$5 fee generated about \$2000.

## BACKGROUND INFORMATION:

The Land Reutilization Fund was established with the enactment of Public Act 123 of 1999, a major rewrite of the tax reversion process. The fund includes:

- The \$175 fee attached to forfeited property, for properties where the state is the foreclosing governmental unit, when that fee is collected by the county treasurer.
- The excess amount of sales proceeds, less the minimum bid and all costs related to the demolition, renovation, improvements, or infrastructure development of the property, if the property is purchased by a local unit and subsequently sold and the state is the foreclosing governmental unit.
- The amount remaining after the sale of property after (1) the delinquent tax revolving fund is reimbursed for all taxes, interest, and fees; (2) all costs of the sale of the year are paid; (3) any costs for the foreclosure proceeding for the year are paid; (4) any costs for the foreclosure proceeding or sales in prior years are

paid; and (5) any costs incurred by the foreclosing governmental unit for maintaining the property before the property was sold.

The act provides that money in the fund may be expensed for the following purposes:

- Contracts with title insurance companies to perform title searches, on-site visits, and other functions required to collect delinquent property taxes.
- Costs incurred for determining addresses, service of notices, and recording fees.
- Defense of title actions.
- Other costs incurred in administering the foreclosure and disposition of property forfeited for delinquent taxes.

**POSITIONS:**

The Department of Treasury supports the bill. (11-29-06)

Fiscal Analyst: Mark Wolf

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