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BILL ANALYSIS

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Senate Bill 868 (as introduced 11-9-05)
Sponsor: Senator Laura M. Toy
Committee: Local, Urban and State Affairs

Date Completed: 11-10-05

CONTENT

The bill would amend the General Property Tax Act to do the following:

- Delete requirements that a county tax administration fee be used only for specified purposes.**
- Require delinquent tax sales proceeds to be deposited in a local unit's general fund.**
- Allow a local tax collecting unit to establish a delinquent tax revolving fund.**

Property Tax Administration Fee

The Act provides for the collection of a property tax administration fee when a person pays delinquent taxes. As a rule, the fee is 4% of the delinquent taxes. The fee must be paid to the treasurer of the county where the property is located. The bill would delete provisions under which the fee may be used only to offset the costs incurred in and ancillary to collecting delinquent property taxes; to pay delinquent taxes payable to local units or the State; and to repay revolving fund notes and obligations.

Foreclosed Property

The Act grants the State the right of first refusal to purchase tax-delinquent foreclosed property. If the State does not exercise its right, a city, village, or township may purchase the property. If a city, village, or township does not do so, the county in which the property is located may purchase it. If property purchased by a city, village, township, or county is subsequently sold for more than the minimum bid and cost incurred for demolition, renovation, improvements, or infrastructure development, the excess amount must be returned to the delinquent tax property sales proceeds account or, if the State is the foreclosing governmental unit, to the land reutilization fund. The bill, instead, would require the excess amount to be deposited in the general fund of the city, village, township, or county.

The Act requires a foreclosing governmental unit to deposit the proceeds from the sale of foreclosed property into a restricted account designated as the "delinquent tax property sales proceeds for the year ____". Under the bill, this would apply only if the foreclosing governmental unit were the State. A foreclosing governmental unit other than the State would have to deposit the proceeds into its general fund.

Under the Act, a foreclosing governmental unit may use funds in its delinquent tax property sales proceeds account only for specified purposes, in the order listed in the Act. The

proceeds must be used first to reimburse the delinquent tax revolving fund for all taxes, interest, and fees on all of the property, whether or not all of it was sold. Also, if the foreclosing unit is not the State, the proceeds may be used to pay costs for the sale of property or foreclosure proceedings, costs for the defense of title actions, and costs incurred in administering foreclosure and disposition of property forfeited for delinquent taxes. The bill would delete these provisions.

Delinquent Tax Revolving Fund

The Act allows the board of commissioners of any county to create a delinquent tax revolving fund. Under the bill, the governing body of any local tax collecting unit also could create such a fund.

Currently, upon the establishment of a fund, all delinquent taxes, except taxes on personal property, due to the taxing units in the county, except those units that collect their own delinquent taxes, are payable to the county. The bill also would make an exception for units that created a delinquent tax revolving fund.

The Act provides that any surplus in the fund may be transferred to the county general fund. Under the bill, a surplus also could be transferred to the general fund of the local tax collecting unit.

Currently, a county that has created a delinquent tax revolving fund, by resolution of its board of commissioners, may borrow money and issue its revolving fund notes to establish or continue the fund and pay the expenses of the borrowing. A county also may submit to its voters the question of issuing revolving fund notes. The bill would extend these provisions to a local tax collecting unit.

MCL 211.59 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no effect on State or local revenue or expenditures, although it would alter the allocation between funds of certain revenue received by the State and/or local units of government. Under current law, the affected revenue must be deposited in certain funds such as to a delinquent tax property sales proceeds account or delinquent tax revolving fund. The bill generally would require this revenue to be deposited in the general fund of the governmental unit.

This analysis is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.