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BILL ANALYSIS

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Senate Bill 1433 (as introduced 6-27-08)
Sponsor: Senator Tom George
Committee: Local, Urban and State Affairs

Date Completed: 9-23-08

CONTENT

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

- Require the city treasurer of an eligible city to return to the county treasurer all uncollected delinquent real property taxes levied after 2008, notwithstanding the city charter.**
- Permit the city treasurer to return to the county treasurer all uncollected delinquent real property taxes levied before December 31, 2008.**
- Permit the city treasurer, with the agreement of the county treasurer, to return to the county treasurer uncollected delinquent personal property taxes.**

The bill also provides that a judgment entered on a foreclosure petition that extinguished any lien for unpaid taxes or special assessments would not extinguish the right of the city to bring an action to enforce personal liability for those unpaid taxes or special assessments.

"Eligible city" would mean a city with a population of more than 50,000 and less than 100,000 that is located in a county with a population of less than 350,000.

Delinquent Real & Personal Property Taxes

Notwithstanding the provisions of the charter of a home rule city to the contrary, the city treasurer of an eligible city would be required to return to the county treasurer all uncollected delinquent taxes levied on real property after December 31, 2008, on the March 1 immediately following the year in which the taxes were levied. The city treasurer could return all uncollected delinquent taxes levied on real property before December 31, 2008, to the county treasurer for collection on March 1, 2010.

Notwithstanding the city charter, with the agreement of the county treasurer, the city treasurer of an eligible city also could return uncollected delinquent taxes levied on personal property after December 31, 2008, on the March 1 immediately following the year in which the taxes were levied. The city treasurer could return all uncollected delinquent taxes levied on personal property before December 31, 2008, to the county treasurer for collection on March 1 of the year in which the county treasurer agreed to the return of uncollected delinquent taxes under the bill.

A city treasurer would have to provide written notice to the county treasurer of his or her intent to return uncollected delinquent taxes levied before December 31, 2008, by the following dates:

- February 1, 2010, for real property taxes.
- February 1 of the year in which the county treasurer agreed to the return of uncollected delinquent taxes, for personal property taxes.

If uncollected delinquent taxes levied before December 31, 2008, were returned to the county treasurer for collection, the county treasurer would have to collect those taxes with taxes returned as delinquent in 2010 for real property taxes, and in the year agreed to for personal property taxes. After the uncollected delinquent taxes were returned to the county treasurer for collection, the provisions of the Act would apply for collection of those taxes and for the issuance of notes in anticipation of the collection of those taxes. After taxes on personal property were returned, the provisions of the Act would apply for collection of these taxes.

"Delinquent taxes" or "uncollected delinquent taxes" would include any taxes levied by and payable to the city treasurer in installments the balance of which remains unpaid on January 1 immediately following the year in which the taxes are levied, including all interest and penalties that accrue after July 31 of the year in which all taxes billed by the city are levied if that interest and those penalties remain unpaid on the date the delinquent taxes are returned to the county treasurer.

Foreclosure Judgment

A judgment entered under Section 78k that extinguished any lien for unpaid taxes or special assessments would not extinguish the right of the city to bring an in personam action under the Act or its charter to enforce personal liability for those unpaid taxes or special assessments. The city could bring an in personam action to enforce personal liability for unpaid delinquent taxes levied before January 1, 2009, or special assessments not returned as delinquent under the bill within 15 years after the taxes or special assessments were levied.

(Under Section 78k, a circuit court must enter final judgment on a petition for foreclosure filed under the Act. Among other things, the judgment must specify that all liens against the property, including any lien for unpaid taxes or special assessments, except future installments of special assessments and liens recorded by this State or the foreclosing governmental unit pursuant to the Natural Resources and Environmental Protection Act, are extinguished, if all forfeited delinquent taxes, interest, penalties, and fees are not paid by the March 31 immediately succeeding the entry of a judgment foreclosing the property, or in a contested case within 21 days of the entry of a judgment foreclosing the property under the section.

An "in personam action" is a lawsuit against a person, rather than against the property.)

Proposed MCL 211.89d & 211.89e

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would increase State and local unit revenue by an unknown amount. Without regard to which cities have the affected charter provisions, the bill would affect only the Cities of Battle Creek, Kalamazoo, and Saginaw. Reportedly, Kalamazoo is the only city with the relevant charter provisions that prevent returning delinquent taxes to the county. The amount of any increase would depend upon the number of local units affected, the amount of any delinquent taxes, and the relative effectiveness of having a county, rather than the affected cities, collect delinquent taxes.

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.