

Legislative Analysis



WAIVER OF ADDITIONAL INTEREST WHEN TAX-DELINQUENT PROPERTY REDEEMED

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House Bill 4409

Sponsor: Rep. Rashida Tlaib

Committee: Tax Policy

Complete to 5-21-13

A SUMMARY OF HOUSE BILL 4409 AS INTRODUCED 3-12-13

House Bill 4409 would permit county treasurers to waive the additional 0.5% interest that is assessed on persons redeeming tax-forfeited properties, if the property is withheld from the foreclosure petition. This is explained in more detail below.

Under the General Property Tax Act, property forfeited to the county treasurer can be redeemed at any time on or before the March 31 immediately succeeding the entry of a judgment foreclosing the property under Section 78k, or in a contested case within 21 days of the entry of a judgment foreclosing the property under Section 78k. To redeem the property a person must pay the total amount of unpaid delinquent taxes, interest, penalties, and fees for which the property was forfeited and, in addition, must pay additional interest computed at a noncompounded rate of 0.5% per month or fraction of a month on the taxes that were originally returned as delinquent, computed from the March 1 preceding the forfeiture. House Bill 4409 would allow (but not require) the county treasurer to waive the additional interest if the property is withheld from the petition for foreclosure under Section 78h due to financial hardship or certain other mitigating circumstances.

BACKGROUND INFORMATION:

Under the General Property Tax Act (1893 PA 206), unpaid property taxes become delinquent on March 1 following the tax year, and are forwarded to county treasurers for collection. After property becomes delinquent, unpaid taxes are subject to a 4% county property tax administration fee and interest at a non-compounded rate of 1% per month. On the March 1 of the year after the property becomes delinquent, property with unpaid taxes is forfeited to the county treasurers, with unpaid taxes subject to additional interest at a non-compounded rate of 0.5% per month calculated back to the March 1 of the prior year when the property was returned delinquent.

Under forfeiture, the foreclosing governmental unit may seek a judgment of foreclosure under Section 78k if the property is not redeemed as provided under this act. Under forfeiture, the foreclosing governmental unit does not acquire a right to possession or any other interest in the property. A foreclosing governmental unit is the county treasurer, although for 12 counties the state is the foreclosing unit.

Prior to June 15 following forfeiture, the foreclosing governmental unit must file a petition for foreclosure in the appropriate circuit court listing the properties that are forfeited and not redeemed. On the following March 31, title in the delinquent property would vest in the foreclosing governmental unit.

Under Section 78h, if property is redeemed, the foreclosing governmental unit must request that the circuit court remove that property from the petition for foreclosure before entry of judgment foreclosing the property. That section also permits the foreclosing governmental unit to withhold certain properties from the foreclosure petition, in the following instances:

- The property is held by (1) minor heirs or persons who are incompetent, (2) persons without means of support, or (3) persons unable to manager their affairs due to age or infirmity, until a guardian is appointed to protect that person's rights or interests.
- The property is held by persons experiencing "substantial financial hardship" as determined under a written policy adopted by the foreclosing governmental unit, based generally on federal poverty guidelines.

FISCAL IMPACT:

As written, the bill could potentially reduce county revenue by an unknown, but likely small, amount. Because counties are not required to waive the interest charge, the bill might have no impact.

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