

REDEMPTION OF TAX-FORFEITED PROPERTY

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House Bill 5421 as enacted
Public Act 500 of 2014
Sponsor: Rep. John Walsh
House Committee: Tax Policy
Senate Committee: Finance

Complete to 2-5-18

SUMMARY:

House Bill 5421 amends the General Property Tax Act to modify provisions related to the redemption of tax-delinquent property that has been forfeited to the county treasurer.

When tax-forfeited property is redeemed under Section 78g, the total amount of unpaid delinquent taxes, interest, penalties, and fees for which the property was forfeited must be paid, as well as additional interest as specified in the act.

House Bill 5421 allows for the payment of a reduced amount of unpaid delinquent taxes, interest, and penalties if both of the following conditions are met, prior to July 1, 2016:

- The amount of unpaid delinquent taxes, interest, penalties, and fees for which a property was forfeited is **greater than** 50% of the state equalized value.
- The property was subject to and in compliance with a delinquent property tax installment payment plan or a tax foreclosure avoidance agreement, or both, under Section 78h.

If both conditions are met, the foreclosing governmental unit may reduce the amount of taxes, interest, penalties, and fees required to redeem the property to an amount equal to 50% of the state equalized value. If a property were redeemed in this manner, any remaining unpaid taxes, interest, penalties, and fees would be canceled by the county treasurer. However, a foreclosing governmental unit may not approve a reduction in the payment described above if the reduction would cause noncompliance with the debt limitations of a delinquent tax revolving fund or otherwise impair a debt of the county.

House Bill 5421 also allows a county treasurer to waive “additional interest” that can otherwise be assessed when tax-delinquent property forfeited to the county treasurer is being redeemed. This additional interest is defined and computed at a noncompounded rate of ½ of 1% per month or fraction of a month on the taxes that were originally returned as delinquent, computed from the March 1 preceding the forfeiture. The ability to waive this additional interest only applies to property that is withheld under Section 78h from the petition for foreclosure that a foreclosing governmental unit files with the clerk of the circuit court listing all property forfeited and not redeemed.

[Section 78h allows local units to withhold certain kinds of property from the petition for foreclosure, including, among other things, property held by a person undergoing substantial financial hardship.]

The bill also stipulates that if the property is classified as residential real property, the property is a principal residence exempt from local school operating taxes, and a tax foreclosure avoidance agreement is in effect for the property, the following apply:

- The property must be withheld from the petition for foreclosure under Section 78h.
- The additional interest described above may not be applied; instead, interest computed at a noncompounded rate of ½ of 1% per month or fraction of a month on the taxes that were originally returned as delinquent, computed from the date that the taxes originally were returned as delinquent, applies to the property.

HB 5421 is tie-barred to HB 4882, which was enacted as Public Act 499 of 2014.

MCL 211.78g

FISCAL IMPACT:

Counties that choose to reduce the amount required to redeem tax-foreclosed property under the provisions of the bill, or that choose to waive additional interest as provided by the bill, would see reduced revenue—unless reducing that amount or waiving that interest would bring in payments to the county that would not otherwise be made. Since the provisions of the bill are optional, and the effect of exercising them can only be known on a case-by-case basis, a net change in revenue cannot be estimated with the data available.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.