

# Legislative Analysis



## **PROHIBIT CERTAIN PERSONS FROM BIDDING ON TAX-DELINQUENT PROPERTY**

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**House Bill 5960**

**Sponsor: Rep. John Walsh**

**Committee: Detroit's Recovery and Michigan's Future**

**Complete to 12-3-14**

### **A SUMMARY OF HOUSE BILL 5960 AS INTRODUCED 11-13-14**

The bill would amend the General Property Tax Act to make certain persons ineligible to bid at sales of tax-delinquent property. It would apply to a prospective bidder who has any delinquent taxes or special assessments for property located in the relevant local tax collecting unit or any unpaid fines in that unit for violating local ordinances aimed at eliminating blight or the cessation of a nuisance.

This would not apply to financial institutions or credit union service organizations that demonstrate to the foreclosing governmental unit that they have a lien or other unpaid financial interest in the property.

Generally speaking, the ineligibility to bid would apply to a person that directly or indirectly holds an interest of 10% or more in a property with delinquent taxes or assessments or unpaid blight-related fines or is under common control with such a person. ("Common control" is defined in the bill to mean that two separate persons are directly or indirectly subject to the legal direction or control of the same third person or an affiliate of that third person.)

These provisions would apply notwithstanding any local ordinance or charter provision to the contrary, and they apply beginning January 1, 2015.

The bill also would require prospective bidders on tax-delinquent property to register with the foreclosing governmental unit at least 14 days before the start of the sale. When registering, a prospective bidder would have to certify under penalty of perjury that they did not (1) hold title to any property or claim to hold title to any property when the property became subject to a tax foreclosure judgment vesting absolute title to that property in the foreclosing governmental unit in the prior three tax years; or (2) hold title to any property that has been included in a petition for (tax-related) foreclosure in the tax year in which the sale is held.

The foreclosing governmental unit could not accept bids from anyone who did not register as required or who met any of the criteria cited above. However, nothing in the bill would prevent the foreclosing governmental unit from selling property to a person as otherwise allowed by law after the property vests in the foreclosing governmental unit.

**FISCAL IMPACT:**

As written the bill could increase state and local property tax revenues. To the extent that this bill facilitates returning tax-foreclosed properties to the local tax rolls, and then keeping them there, local governments could see an increase in property tax revenue as well as a reduction in the administrative costs of putting these properties up for auction multiple times. The School Aid Fund may also see an increase in State Education Tax revenue.

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