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BILL ANALYSIS

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House Bill 4882 (Substitute H-1 as passed by the House)
Sponsor: Representative Phil M. Cavanagh
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 11-25-14

CONTENT

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

- **Allow a foreclosing governmental unit to create a delinquent property tax installment payment plan for the principal residence of a financially distressed person.**
- **Allow the governmental unit to remove the property from a foreclosure petition if the person made the initial payment required under the plan.**
- **Require additional interest to be waived if the person successfully completed the payment plan.**
- **Require the property to be included in the next foreclosure petition if the person did not complete the payment plan.**

Under the Act, on March 1 each year, property that is delinquent for taxes, interest, penalties, and fees for the previous 12 months or more is forfeited to the county treasurer for the unpaid amount. Within time frames specified in the Act, the property may be redeemed after a judgment of foreclosure has been entered, upon payment of the unpaid delinquent taxes, interest on the unpaid taxes, penalties, and fees, as well as additional interest on the taxes that were originally returned as delinquent.

By June 15 each year, a foreclosing governmental unit must file with the circuit court a petition listing all property that has been forfeited and not redeemed, to be foreclosed on for the amount of unpaid delinquent taxes, interest, penalties, and fees. The governmental unit may withhold property from the petition under certain circumstances, including cases of substantial financial hardship (based on criteria described below).

Under the bill, a foreclosing governmental unit also could withhold property from the foreclosure petition if title to the property were held by a person subject to a delinquent property tax installment payment plan.

The bill would allow a foreclosing governmental unit, notwithstanding any provision of the Act or charter to the contrary, to create a delinquent property tax installment payment plan for eligible property whose title was held by a financially distressed person.

"Eligible property" would mean property exempt from school operating taxes as a principal residence. "Financially distressed person" would mean a person who is eligible to have property to which he or she holds title withheld from a foreclosure petition based on substantial financial hardship, and who is not delinquent in satisfying a delinquent property tax installment payment plan for any other property within the foreclosing governmental unit.

If a financially distressed person agreed to participate in a delinquent property tax installment payment plan and made the initial payment required under the plan, the foreclosing governmental unit could remove the person's eligible property from the foreclosure petition that must be filed with the circuit court each year by June 15.

If a financially distressed person successfully completed a delinquent property tax installment payment plan, additional interest required by the Act, as well as any additional interest otherwise applicable, would have to be waived. (Under the Act, in addition to interest on the unpaid taxes, interest calculated at a rate of 0.5% per month on the taxes that were originally returned as delinquent, computed from the March 1 before the forfeiture, must be paid.)

If a financially distressed person did not successfully complete an installment payment plan, both of the following would apply:

-- Additional interest required by the Act, as well as any additional interest otherwise applicable, would apply.
-- The eligible property would have to be included in the next foreclosure petition.

MCL 211.78h et al.

BACKGROUND

The General Property Tax Act allows a foreclosing governmental unit to withhold property from a foreclosure petition under the following circumstances:

-- Title to the property is held by minor heirs or individuals who are incompetent, without means of support, or unable to manage their affairs due to age or infirmity, until a guardian is appointed.
-- Title to the property is held by a person undergoing substantial financial hardship, as determined under a policy of the foreclosing governmental unit.

Under a substantial financial hardship policy, a person requesting that property be withheld from the foreclosure petition must hold title to the property. In addition, the person's household income must meet the Federal poverty income standards determined annually by the U.S. Office of Management and Budget or alternative guidelines adopted by the foreclosing governmental unit. Alternative guidelines must include all people who otherwise would meet the Federal poverty income standards.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have an unknown but likely minimal fiscal impact on State and local property tax revenue. The impact would depend on the frequency with which a foreclosing governmental unit offered an installment payment plan for delinquent taxes to an eligible financially distressed person, and the amount of repayment received under an installment plan compared to the possible proceeds of a foreclosure sale, which would be delayed or prevented by use of the repayment plan. The foreclosing governmental unit also would forego possible additional interest payments from a taxpayer who successfully completed the installment plan.

Fiscal Analyst: Elizabeth Pratt