

**SUBSTITUTE FOR
SENATE BILL NO. 640**

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 78m (MCL 211.78m), as amended by 2006 PA 498.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 78m. (1) Not later than the first Tuesday in July,
2 immediately succeeding the entry of judgment under section 78k
3 vesting absolute title to tax delinquent property in the
4 foreclosing governmental unit, this state is granted the right of
5 first refusal to purchase property at the greater of the minimum
6 bid or its fair market value by paying that amount to the
7 foreclosing governmental unit if the foreclosing governmental unit
8 is not this state. If this state elects not to purchase the

1 property under its right of first refusal, a city, village, or
2 township may purchase for a public purpose any property located
3 within that city, village, or township set forth in the judgment
4 and subject to sale under this section by payment to the
5 foreclosing governmental unit of the minimum bid. If a city,
6 village, or township does not purchase that property, the county in
7 which that property is located may purchase that property under
8 this section by payment to the foreclosing governmental unit of the
9 minimum bid. If property is purchased by a city, village, township,
10 or county under this subsection, the foreclosing governmental unit
11 shall convey the property to the purchasing city, village,
12 township, or county within 30 days. If property purchased by a
13 city, village, township, or county under this subsection is
14 subsequently sold for an amount in excess of the minimum bid and
15 all costs incurred relating to demolition, renovation,
16 improvements, or infrastructure development, the excess amount
17 shall be returned to the delinquent tax property sales proceeds
18 account for the year in which the property was purchased by the
19 city, village, township, or county or, if this state is the
20 foreclosing governmental unit within a county, to the land
21 reutilization fund created under section 78n. Upon the request of
22 the foreclosing governmental unit, a city, village, township, or
23 county that purchased property under this subsection shall provide
24 to the foreclosing governmental unit without cost information
25 regarding any subsequent sale or transfer of the property. This
26 subsection applies to the purchase of property by this state, a
27 city, village, or township, or a county prior to a sale held under

1 subsection (2).

2 (2) Subject to subsection (1), beginning on the third Tuesday
3 in July immediately succeeding the entry of the judgment under
4 section 78k vesting absolute title to tax delinquent property in
5 the foreclosing governmental unit and ending on the immediately
6 succeeding first Tuesday in November, the foreclosing governmental
7 unit, or its authorized agent, at the option of the foreclosing
8 governmental unit, shall hold ~~at least 2-1~~ **OR MORE** property sales
9 at 1 or more convenient locations at which property foreclosed by
10 the judgment entered under section 78k shall be sold by auction
11 sale, which may include an auction sale conducted via an internet
12 website **OR A JOINT SALE WITH 1 OR MORE OTHER FORECLOSING**
13 **GOVERNMENTAL UNITS**. Notice of the time and location of ~~the sales~~ **A**
14 **SALE** shall be published not less than 30 days before ~~each~~ **A** sale in
15 a newspaper published and circulated in the county in which the
16 property is located, if there is one **AND ALSO MAY BE PUBLISHED ON**
17 **AN INTERNET WEBSITE MAINTAINED BY THE FORECLOSING GOVERNMENTAL**
18 **UNIT**. If no newspaper is published in that county, publication
19 shall be made in a newspaper published and circulated in an
20 adjoining county **AND ALSO MAY BE PUBLISHED ON AN INTERNET WEBSITE**
21 **MAINTAINED BY THE FORECLOSING GOVERNMENTAL UNIT**. Each sale shall be
22 completed before the first Tuesday in November immediately
23 succeeding the entry of judgment under section 78k vesting absolute
24 title to the tax delinquent property in the foreclosing
25 governmental unit. ~~Except as provided in subsection (5),~~ **WHEN**
26 **PROPERTY IS OFFERED FOR SALE WITH A MINIMUM BID ESTABLISHED BY THE**
27 **FORECLOSING GOVERNMENTAL UNIT, THE** property shall be sold to the

1 person bidding the **MINIMUM BID OR, IF A BID IS GREATER THAN THE**
 2 **MINIMUM BID, THE** highest amount **BID** above the minimum bid. The
 3 foreclosing governmental unit may sell parcels individually or may
 4 offer 2 or more parcels for sale as a group. The minimum bid for a
 5 group of parcels shall equal the sum of the minimum bid for each
 6 parcel included in the group. The foreclosing governmental unit may
 7 adopt procedures governing the conduct of the sale **AND THE**
 8 **CONVEYANCE OF PARCELS UNDER THIS SECTION** and may cancel the sale
 9 prior to the issuance of a deed under this subsection if authorized
 10 under the procedures. The foreclosing governmental unit may require
 11 full payment by cash, certified check, **ELECTRONIC TRANSFER OF**
 12 **FUNDS,** or money order at the close of each day's bidding. **BEFORE**
 13 **CONVEYING A PARCEL SOLD AT A SALE, A FORECLOSING GOVERNMENTAL UNIT**
 14 **MAY REQUIRE THE PURCHASER TO PROVIDE PROOF OF PAYMENT TO THE TAX**
 15 **COLLECTING UNIT OF ANY PROPERTY TAXES OWED ON THE PARCEL AT THE**
 16 **TIME OF THE SALE. A FORECLOSING GOVERNMENTAL UNIT MAY CANCEL A SALE**
 17 **IF UNPAID PROPERTY TAXES OWED ON A PARCEL OR PARCELS AT THE TIME OF**
 18 **A SALE ARE NOT PAID WITHIN 30 DAYS OF THE SALE.** Not more than 30
 19 days after the date of a sale under this subsection, **OR 15 DAYS**
 20 **AFTER PROVISION OF PROOF OF PAYMENT TO THE TAX COLLECTING UNIT**
 21 **UNDER THIS SECTION, WHICHEVER IS LATER,** the foreclosing
 22 governmental unit shall convey the property by deed to the person
 23 bidding the **MINIMUM BID OR, IF A BID IS GREATER THAN THE MINIMUM**
 24 **BID, THE** highest amount **BID** above the minimum bid. The deed shall
 25 vest fee simple title to the property in the person bidding the
 26 highest amount above the minimum bid, unless the foreclosing
 27 governmental unit discovers a defect in the foreclosure of the

1 property under sections 78 to 78/ **OR THE SALE IS CANCELED UNDER THIS**
 2 **SUBSECTION.** If this state is the foreclosing governmental unit
 3 within a county, the department of ~~natural resources~~ **TREASURY** shall
 4 ~~conduct~~ **BE RESPONSIBLE FOR CONDUCTING** the sale of property under
 5 this subsection and subsections (4) and (5) on behalf of this
 6 state.

7 (3) For sales held under subsection (2), after the conclusion
 8 of that sale, and prior to any additional sale held under
 9 subsection (2), a city, village, or township may purchase any
 10 property not previously sold under subsection (1) or (2) by paying
 11 the minimum bid to the foreclosing governmental unit. If a city,
 12 village, or township does not purchase that property, the county in
 13 which that property is located may purchase that property under
 14 this section by payment to the foreclosing governmental unit of the
 15 minimum bid.

16 (4) If property is purchased by a city, village, township, or
 17 county under subsection (3), the foreclosing governmental unit
 18 shall convey the property to the purchasing city, village, or
 19 township within 30 days.

20 (5) All property subject to sale under subsection (2) shall be
 21 offered for sale at ~~not less than 2-1~~ **OR MORE** sales conducted as
 22 required by subsection (2). ~~The~~ **IF THE FORECLOSING GOVERNMENTAL**
 23 **UNIT ELECTS TO HOLD MORE THAN 1 SALE UNDER SUBSECTION (2), THE**
 24 final sale held under subsection (2) shall be held not less than 28
 25 days after the ~~previous~~ **IMMEDIATELY PRECEDING** sale under subsection
 26 (2). At the final sale held under subsection (2), the sale is
 27 subject to the requirements of subsection (2), except that the

1 minimum bid shall not be required. However, the foreclosing
2 governmental unit may establish a reasonable opening bid at the
3 sale to recover the cost of the **PREPARATION, sale, AND CONVEYANCE**
4 of the parcel or parcels.

5 (6) On or before December 1 immediately succeeding the ~~date of~~
6 ~~the sale under subsection (5)~~ **ENTRY OF JUDGMENT UNDER SECTION 78K,**
7 a list of all property not previously sold by the foreclosing
8 governmental unit under this section shall be transferred to the
9 clerk of the city, village, or township in which the property is
10 located. The city, village, or township may object in writing to
11 the transfer of 1 or more parcels of property set forth on that
12 list. On or before December 30 immediately succeeding the ~~date of~~
13 ~~the sale under subsection (5)~~ **ENTRY OF JUDGMENT UNDER SECTION 78K,**
14 all property not previously sold by the foreclosing governmental
15 unit under this section shall be transferred to the city, village,
16 or township in which the property is located, except those parcels
17 of property to which the city, village, or township has objected.
18 Property located in both a village and a township may be
19 transferred under this subsection only to a village. The city,
20 village, or township may make the property available under the
21 urban homestead act, 1999 PA 127, MCL 125.2701 to 125.2709, or for
22 any other lawful purpose.

23 (7) If property not previously sold is not transferred to the
24 city, village, or township in which the property is located under
25 subsection (6), the foreclosing governmental unit shall retain
26 possession of that property. If the foreclosing governmental unit
27 retains possession of the property and the foreclosing governmental

1 unit is this state, title to the property shall vest in the land
2 bank fast track authority created under section 15 of the land bank
3 fast track act, 2003 PA 258, MCL 124.765.

4 (8) A foreclosing governmental unit shall deposit the proceeds
5 from the sale of property under this section into a restricted
6 account **ESTABLISHED AND MAINTAINED BY THE FORECLOSING GOVERNMENTAL**
7 **UNIT AND** designated as the "delinquent tax property sales proceeds
8 for the year ____". The foreclosing governmental unit shall
9 direct the **EXPENDITURE AND** investment of the account **CONSISTENT**
10 **WITH THE REQUIREMENTS APPLICABLE TO A DELINQUENT TAX REVOLVING FUND**
11 **UNDER SECTION 87B.** The foreclosing governmental unit shall credit
12 to the account interest and earnings from account investments.
13 Proceeds in that account shall only be used by the foreclosing
14 governmental unit for the following purposes in the following order
15 of priority:

16 (a) The delinquent tax revolving fund shall be reimbursed for
17 all taxes, interest, and fees on all of the **FORECLOSED** property, **AS**
18 **ACCOUNTED FOR BY THE FORECLOSING GOVERNMENTAL UNIT,** whether or not
19 all of the property was sold.

20 (b) All **UNPAID** costs ~~of~~ **INCURRED BY THE FORECLOSING**
21 **GOVERNMENTAL UNIT FOR** the sale, **TRANSFER, AND CONVEYANCE** of
22 **FORECLOSED** property for the year shall be paid **BY THE FORECLOSING**
23 **GOVERNMENTAL UNIT.**

24 (c) Any costs ~~of~~ **INCURRED BY THE FORECLOSING GOVERNMENTAL UNIT**
25 **FOR** the foreclosure proceedings for the year, including, but not
26 limited to, costs of mailing, publication, personal service, and
27 outside contractors shall be paid **BY THE FORECLOSING GOVERNMENTAL**

1 UNIT.

2 (d) Any costs for the sale **AND TRANSFER** of **FORECLOSED** property
3 or **FOR THE** foreclosure proceedings **INCURRED BY THE FORECLOSING**
4 **GOVERNMENTAL UNIT** for any prior year that have not been paid or
5 reimbursed from that prior year's delinquent tax property sales
6 proceeds shall be paid **BY THE FORECLOSING GOVERNMENTAL UNIT**.

7 (e) Any costs incurred by the foreclosing governmental unit in
8 maintaining property foreclosed under section 78k before the sale
9 under this section shall be paid, including, **BUT NOT LIMITED TO**,
10 costs of any environmental remediation.

11 (f) If the foreclosing governmental unit is not this state,
12 any of the following **SHALL BE PAID BY THE FORECLOSING GOVERNMENTAL**
13 **UNIT**:

14 (i) Any costs for the sale, **TRANSFER, CONVEYANCE, OR**
15 **MAINTENANCE** of property or **FOR** foreclosure proceedings **INCURRED BY**
16 **THE FORECLOSING GOVERNMENTAL UNIT** for any subsequent year that are
17 not paid or reimbursed from that subsequent year's delinquent tax
18 property sales proceeds shall be paid **BY THE FORECLOSING**
19 **GOVERNMENTAL UNIT** from any remaining balance in any prior year's
20 delinquent tax property sales proceeds account.

21 (ii) Any costs **INCURRED BY THE FORECLOSING GOVERNMENTAL UNIT**
22 for the defense of title actions.

23 (iii) Any **OTHER** costs incurred **BY THE FORECLOSING GOVERNMENTAL**
24 **UNIT** in administering the foreclosure and disposition of property
25 forfeited for delinquent taxes under this act.

26 (g) If the foreclosing governmental unit is this state, any
27 remaining balance shall be transferred to the land reutilization

1 fund created under section 78n.

2 (h) In 2008 and each year after 2008, if the foreclosing
3 governmental unit is not this state, not later than June 30 of the
4 second calendar year after foreclosure, the foreclosing
5 governmental unit shall submit a written report to its board of
6 commissioners identifying any remaining balance and any contingent
7 costs of title or other legal claims described in subdivisions (a)
8 through (f). All or a portion of any remaining balance **REPORTED BY**
9 **THE FORECLOSING GOVERNMENTAL UNIT**, less any contingent costs of
10 title or other legal claims described in subdivisions (a) through
11 (f), may subsequently be transferred into the general fund of the
12 county by **THE FORECLOSING GOVERNMENTAL UNIT AFTER ADOPTION OF A**
13 **RESOLUTION BY** the board of commissioners.

14 (9) Two or more county treasurers of adjacent counties may
15 elect to hold a joint sale of property as provided in this section.
16 If 2 or more county treasurers elect to hold a joint sale, property
17 may be sold under this section at a location outside of the county
18 in which the property is located. The sale may be conducted by any
19 county treasurer participating in the joint sale. A joint sale held
20 under this subsection may include or be an auction sale conducted
21 via an internet website.

22 (10) The foreclosing governmental unit shall record a deed for
23 any property transferred under this section with the county
24 register of deeds. The foreclosing governmental unit may charge a
25 fee in excess of the minimum bid and any sale proceeds for the cost
26 of recording a deed under this subsection.

27 (11) As used in this section, "minimum bid" is the minimum

1 amount established by the foreclosing governmental unit for which
2 property may be sold under this section. The minimum bid shall
3 include all of the following:

4 (a) All delinquent taxes, interest, penalties, and fees due on
5 the property. If a city, village, or township purchases the
6 property, the minimum bid shall not include any taxes levied by
7 that city, village, or township and any interest, penalties, or
8 fees due on those taxes.

9 (b) The expenses of administering the sale, including all
10 preparations for the sale **AND THE TRANSFER OR CONVEYANCE OF**
11 **PARCELS**. The foreclosing governmental unit shall estimate the cost
12 of preparing for and administering the annual sale for purposes of
13 prorating the cost for each property included in the sale.

14 (12) For property transferred to this state under subsection
15 (1), a city, village, or township under subsection (6) or retained
16 by a foreclosing governmental unit under subsection (7), all taxes
17 due on the property as of the December 31 following the transfer or
18 retention of the property are canceled effective on that December
19 31.

20 (13) For property sold under this section, transferred to this
21 state under subsection (1), a city, village, or township under
22 subsection (6), or retained by a foreclosing governmental unit
23 under subsection (7), all liens for costs of demolition, safety
24 repairs, debris removal, or sewer or water charges due on the
25 property as of the December 31 immediately succeeding the sale,
26 transfer, or retention of the property are canceled effective on
27 that December 31. This subsection does not apply to liens recorded

1 by the department of environmental quality under this act or the
2 land bank fast track act, 2003 PA 258, MCL 124.751 to 124.774.

3 (14) If property foreclosed under section 78k and held by or
4 under the control of a foreclosing governmental unit is a facility
5 as defined under section ~~20101(1)(e)~~**20101** of the natural resources
6 and environmental protection act, 1994 PA 451, MCL 324.20101, prior
7 to the sale or transfer of the property under this section, the
8 property is subject to all of the following:

9 (a) Upon reasonable written notice from the department of
10 environmental quality, the foreclosing governmental unit shall
11 provide access to the department of environmental quality, its
12 employees, contractors, and any other person expressly authorized
13 by the department of environmental quality to conduct response
14 activities at the foreclosed property. Reasonable written notice
15 under this subdivision may include, but is not limited to, notice
16 by electronic mail or facsimile, if the foreclosing governmental
17 unit consents to notice by electronic mail or facsimile prior to
18 the provision of notice by the department of environmental quality.

19 (b) If requested by the department of environmental quality to
20 protect public health, safety, and welfare or the environment, the
21 foreclosing governmental unit shall grant an easement for access to
22 conduct response activities on the foreclosed property as
23 authorized under chapter 7 of the natural resources and
24 environmental protection act, 1994 PA 451, MCL 324.20101 to
25 ~~324.20519~~**324.20302**.

26 (c) If requested by the department of environmental quality to
27 protect public health, safety, and welfare or the environment, the

1 foreclosing governmental unit shall place and record deed
2 restrictions on the foreclosed property as authorized under chapter
3 7 of the natural resources and environmental protection act, 1994
4 PA 451, MCL 324.20101 to ~~324.20519~~**324.20302**.

5 (d) The department of environmental quality may place an
6 environmental lien on the foreclosed property as authorized under
7 section 20138 of the natural resources and environmental protection
8 act, 1994 PA 451, MCL 324.20138.

9 (15) If property foreclosed under section 78k and held by or
10 under the control of a foreclosing governmental unit is a facility
11 as defined under section ~~20101(1)(e)~~**20101** of the natural resources
12 and environmental protection act, 1994 PA 451, MCL 324.20101, prior
13 to the sale or transfer of the property under this section, the
14 department of environmental quality shall request and the
15 foreclosing governmental unit shall transfer the property to the
16 state land bank fast track authority created under section 15 of
17 the land bank fast track act, 2003 PA 258, MCL 124.765, if all of
18 the following apply:

19 (a) The department of environmental quality determines that
20 conditions at a foreclosed property are an acute threat to the
21 public health, safety, and welfare, to the environment, or to other
22 property.

23 (b) The department of environmental quality proposes to
24 undertake or is undertaking state-funded response activities at the
25 property.

26 (c) The department of environmental quality determines that
27 the sale, retention, or transfer of the property other than under

- 1 this subsection would interfere with response activities by the
- 2 department of environmental quality.