



Senate Fiscal Agency
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Senate Bill 17 (as introduced 1-20-15)
Sponsor: Senator Rick Jones
Committee: Local Government

Date Completed: 2-17-15

CONTENT

The bill would amend the General Property Tax Act to require a portion of the proceeds from the sale of foreclosed tax-delinquent property to be paid to a person who had owned and occupied the property as a principal residence immediately before the foreclosure, if the proceeds exceeded the minimum bid established by the foreclosing governmental unit.

The Act prescribes procedures for a local unit of government to foreclose on property that has been forfeited to it due to the nonpayment of taxes. After a judgment of foreclosure has been entered by the circuit court, the foreclosing governmental unit may sell the property at a public auction (unless the State or a local unit of government has exercised its right to purchase the property first). The foreclosing governmental unit must hold at least one sale, and the property must be sold to the person bidding the minimum bid, or if a bid is greater than the minimum bid, then the highest amount above the minimum bid. The minimum bid is established by the foreclosing governmental unit and must include all delinquent taxes, penalties, interest, and fees on the property, as well as the expenses of administering the sale. ("Foreclosing governmental unit" means either the treasurer of a county or the State if a county has elected to have the State foreclose property forfeited to the county treasurer.)

The foreclosing governmental unit must deposit the proceeds from the sale of the property into a restricted account designated as the "delinquent tax property sales proceeds for the year ____". Proceeds in the account may be used only to reimburse the county's delinquent tax revolving fund for taxes, interest, and fees on all of the property, and to pay costs of the sale of property, costs of the foreclosure proceedings, and other specified costs, including costs for the defense of title actions.

Under the bill, if the proceeds from the sale of a parcel of property in a tax-delinquent foreclosure exceeded the minimum bid established for that parcel, the foreclosing governmental unit would have to remit an amount equal to the excess to an individual who had owned and occupied the parcel as a principal residence immediately before the entry of judgment vesting absolute title to the parcel in the foreclosing governmental unit. The foreclosing unit then would have to deposit all other proceeds in a restricted account as described above.

MCL 211.78m

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce revenue to counties that are foreclosing governmental units and to the State Land Reutilization Fund for tax foreclosure sales in the 12 counties for which the State

is the foreclosing governmental unit. The amount of the revenue loss would depend on the sale price and minimum bid for individual properties that have been owner-occupied and for which the principal residence exemption has been claimed and that are sold at a tax auction.

Statute directs the use of revenue from tax foreclosure sales that is in excess of the minimum bid. Currently, the revenue is deposited into the delinquent tax property sales proceeds account for that year. That account is used to reimburse the county delinquent tax revolving fund for taxes, interest, and fees on the property, costs of property sales and foreclosure proceedings, and property maintenance before the sale, including costs of environmental remediation. Counties that are foreclosing governmental units are required to use the fund for costs of subsequent years' sales, defense of title actions, and other administrative costs of foreclosure actions. After these costs are paid, a county board may transfer all or a portion of the remaining balance (if any) to the county general fund. For the State, any remaining balance is transferred to the Land Reutilization Fund. This Fund is appropriated in the State budget to support Department of Treasury spending for supervision of the General Property Tax Act.

Fiscal Analyst: Elizabeth Pratt