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BILL ANALYSIS

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Senate Bill 81 (Substitute S-1 as reported)
Sponsor: Senator Jack Brandenburg
Committee: Finance

CONTENT

The bill would amend provisions of the General Property Tax Act under which a bank or other lending institution may retain the principal residence exemption (PRE) on foreclosed property, to delete requirements that the bank or lending institution pay what it otherwise would have paid in school operating taxes, as well as an administration fee. The bill also would reduce the period of time that the PRE may be retained from three years to two years.

The Act allows a bank, land contract vendor, credit union, or other lending institution to retain the PRE on property that it owns as a result of a foreclosure or forfeiture of a recorded instrument, if the property had been exempt immediately before the foreclosure. The institution must pay an amount equal to the additional amount it would have had to pay under Section 1211 of the Revised School Code if a PRE had not been retained (i.e., taxes levied for school operating purposes, which typically are 18 mills).

The bank or other lending institution also must pay an administration fee equal to the property tax administration fee that a local tax collecting unit may collect and retain.

The bill would delete the requirements that a bank, land contract vendor, credit union, or other lending institution retaining the PRE pay the amount it would have had to pay under Section 1211 of the Revised School Code and pay an administration fee.

The bill would take effect 90 days after its enactment.

MCL 211.7cc

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce School Aid Fund revenue by between approximately $14.7 million and $24.5 million in FY 2014-15, depending on the specific characteristics of affected property. If per-pupil funding guarantees or other education spending were lowered as a result, the bill would reduce revenue to local school districts by an unknown amount. The value of property that is currently under foreclosure and that could be affected by the bill is not known, although as of December 2014, Michigan's inventory of foreclosed homes represented 0.6% of the total Michigan housing stock. The estimated impact of the bill assumes that the average taxable value of affected properties varies between $30,000 and $50,000. To the extent that the taxable values for affected property are higher, the impact of the bill would be higher, while lower taxable values would reduce the estimated impact of the bill. Similarly, it is unknown what portion of these properties represent properties that are eligible for a principal residence exemption.

Local unit revenue also would be reduced by an unknown amount, due to the loss of administration fee revenue on the affected amounts. Using the range estimated above, the reduction would total between $100,000 and $200,000.

Date Completed: 2-18-15 Fiscal Analyst: David Zin