Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 676 (Substitute S-1 as reported)
Senate Bill 1137 (Substitute S-1 as reported)
Sponsor: Senator Peter J. Lucido (S.B. 676)
Senator Jim Runestad (S.B. 1137)
Committee: Finance

CONTENT

Senate Bill 676 (S-1) would amend the General Property Tax Act to do the following:

-- Allow a city authority to purchase foreclosed property after the State elected not to exercise its right of first refusal, and require a city, village, township, or city authority that exercised the right to purchase foreclosed property to pay the foreclosing governmental unit the greater of the minimum bid or the fair market value of the property.
-- Specify that if foreclosed property were not purchased by a city, village, township, city authority, or county, a county authority could do so by paying the foreclosing unit the greater of the minimum bid or the fair market value of the property.
-- Eliminate a provision requiring the excess money from a subsequent sale of foreclosed property to be returned to the delinquent tax property sales proceeds account for the year in which the property was purchased by the city, village, or township.
-- Specify that if a foreclosing governmental unit that was not the State retained possession of a property, it could transfer the property to a land fast track authority, convey the property, or offer it for sale.
-- Modify the purposes for which and priority under which proceeds from the sale of a foreclosed property deposited into a delinquent tax property sales proceeds account could be used.

Senate Bill 1137 (S-2) would amend the General Property Tax Act to do the following:

-- Specify that fees added to property for which delinquent taxes, interest, and penalties are owed would have to be used by the foreclosing governmental unit for the administration of the foreclosure and sale process.
-- Require a certificate for a forfeited property to include an explanation of the right of a person with an interested in the property to claim that person's interest in remaining proceeds after a foreclosure sale or transfer.
-- Require a foreclosure notice posted on forfeited property and a notice of a show cause and foreclosure hearing to include an explanation of the right of a person with an interested in the property to claim that person's interest in remaining proceeds after a foreclosure sale or transfer.
-- Prohibit the owner of an extinguished interest in foreclosed property from bringing an action for possession or recovery of the foreclosed property or for any violations of the Act, State law, or the State or US Constitution more than two years after the judgment of foreclosure was effective.
-- Allow a claimant to submit a notice of intention to claim an interest in remaining proceeds from the sale or transfer of property foreclosed for delinquent taxes.

-- Prescribe a procedure through which a claimant could recover an interest in remaining proceeds from the sale or transfer of foreclosed property.

Senate Bill 1137 (S-2) also states that the bill "is curative and is intended to codify and give full effect to the right of a former holder of a legal interest in property to any remaining proceeds resulting from the foreclosure and sale of property to satisfy delinquent real property taxes under the general property tax act…, as recognized by the Michigan supreme court in *Rafaeli, LLC v Oakland County*, docket no. 156849, consistent with the legislative findings and intent under section 78 of the general property tax act…."

The bills are tie-barred. Section 78m, which Senate Bill 676 would amend, and Sections 78g and 78i, as Senate Bill 1137 would amend, would take effect January 1, 2021.

MCL 211.78m (S.B. 676) Legislative Analyst: Jeff Mann
211.78g et al. (S.B. 1137)

FISCAL IMPACT

Senate Bill 1137 (S-2) would extend by two years the sunset of a provision allowing the reduction of delinquent taxes owed on a forfeited property under certain circumstances. The extension would have a minor negative fiscal impact on the State and an indeterminate fiscal impact on local government. In any case, if that delinquent tax liability were reduced, revenue to the local government also would be reduced. However, if the taxes that were collected would not have been collected otherwise, the net fiscal impact for the local government would be positive. Any additional administrative costs for county treasurers or the State would be minimal and would be absorbed under existing appropriations. Since the provisions would be voluntary for local units of government, the total impact is impossible to estimate, and would depend on how exactly the provisions were used.

The provisions in the bills relating to the distribution of proceeds from the sale of foreclosed property would have no fiscal impact on the State and would have a negative fiscal impact on local government. Currently, a foreclosing governmental unit deposits the proceeds from the sale of foreclosed property in a restricted account that can be used for purposes specified in the statute, including to reimburse the delinquent tax revolving fund for taxes, interest, and fees on the property, as well as other costs related to the foreclosure, maintenance, and sale of foreclosed property. After all costs are paid, the remaining balance generally may be transferred to the general fund of the county. The bills would no longer allow the transfer to the general fund of the county and, instead would require that any remaining balance be used for costs incurred in connection with the foreclosed property, the defense of title actions, the administration of the Act, or for the payment of claims for remaining proceeds or other amounts ordered as described above. Since there is no statewide record of proceeds and minimum bids, there is no way to calculate the total revenue loss if the change were enacted.

The bills would add additional administrative costs to the Department of Treasury. These costs would include developing forms for notifications to foreclosing government units by claimants, and local unit notifications to claimants. These costs likely would be minimal and within current appropriations.

Date Completed: 10-6-20 Fiscal Analyst: Ryan Bergan
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