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BILL ANALYSIS

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Senate Bill 1056 (as introduced 8-15-20)
Sponsor: Senator Jim Runestad
Committee: Finance

Date Completed: 9-9-20

CONTENT

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

-- **Require a foreclosure judgment to specify that each recorded and unrecorded interested extinguished by the judgment would be replaced with a right of the holder of that interest to make an equivalent claim to the proceeds from the sale of the tax foreclosed property.**
-- **Allow a foreclosing governmental unit, after the entry of a judgment foreclosing a parcel of property, to cancel the foreclosure by recording with the register of deeds for the county in which the property was located a certificate of postjudgment redemption if the foreclosing unit determined that certain conditions were met.**

The bill is tie-barred to Senate Bill 676. (Senate Bill 676 would amend the Act to specify that if proceeds from the sale of a tax foreclosed property exceeded the minimum bid, the foreclosing governmental unit would have to remit the excess to the owner if he or she occupied it as a principal residence.)

The Act requires the circuit court to enter final judgment on a petition for foreclosure filed at any time after the foreclosure hearing but not later than the March 30 immediately succeeding the hearing with the judgment effective on the March 31 immediately succeeding the hearing for uncontested cases or 10 days after the conclusion of the hearing for contested cases. All redemption rights to the property expire on the March 31 immediately succeeding the entry of a judgment foreclosing the property or, in a contested case, 21 days after the entry of a judgment foreclosing the property. Under the bill, this provision would apply except as provided below.

A judgment must specify, among other things, that all existing recorded and unrecorded interests in the property are extinguished, except for certain listed interests (e.g., a visible or recorded easement or private deed restriction). Under the bill, a judgment also would have to specify that each recorded and unrecorded interested extinguished as indicated would be replaced with a right of the holder of that interest to make an equivalent claim to the proceeds from the sale of the tax foreclosed property.

The bill would allow a foreclosing governmental unit, after the entry of a judgment foreclosing the property, to cancel the foreclosure by recording with the register of deeds for the county in which the property was located a certificate of postjudgment redemption in a form prescribed by the Department of Treasury, if the unit determined that all of the following conditions were met:

-- The property had continuously qualified as a principal residence exempted from the tax levied by a local school district for school operating purposes since it was returned for delinquent taxes.
-- When the property was returned for delinquent taxes, the amount of unpaid taxes, interest, and penalties, and fees due on the property did not exceed $3,000.
-- No liens against, or interests in, the property were extinguished under the judgment foreclosing the property.
-- The property had not been transferred to a person other than the foreclosing governmental unit.
-- The total amount of delinquent taxes, interest, penalties, and fees required to redeem the property was paid to the property officer by not later than the third Tuesday in July immediately succeeding the entry of the judgment foreclosing the property.

MCL 21.78k Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have no fiscal impact on the State and likely would have a positive fiscal impact on local governments. In any case in which a property was redeemed that otherwise would have gone through a foreclosure sale, the local taxing unit would collect delinquent taxes, interest, penalties, and fees without going through the expense of selling the foreclosed property. Any additional administrative costs for county treasurers would be minimal and would be absorbed under existing appropriations. Since the bill's 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.

Fiscal Analyst: Ryan Bergan

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