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BILL ANALYSIS

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Senate Bill 175 (Substitute S-1) *(Senate-passed version)*
Sponsor: Senator Sylvia Santana
Committee: Finance, Insurance, and Consumer Protection

Date Completed: 10-5-23

CONTENT

The bill would amend the General Property Tax Act to allow a local assessing office to treat certain penalties as the personal liability of an individual who failed to notify the local assessing office of a transfer of property ownership and had since transferred such property to a new individual. It also would modify the maximum amount of those penalties, prescribe how a treasurer could collect them, and allow a governing body to waive them.

Section 27a of the Act requires a buyer, grantee, or other transferee of property to notify the appropriate local assessing office within 45 days of the transfer of ownership and specifies that the property's taxable value beginning the year following the transfer is the State equalized value.

Under the Act, a buyer, grantee, or other transferee who fails to give this notice is liable for any additional taxes that would have been levied if the transfer had been recorded and interest and penalty from the date the tax would have been originally levied. If the property is industrial or commercial real property, the penalty is determined by the sale price of the property. If the sale price is $100.0 million or less, a daily penalty of $20 is applied after 45 days up to a maximum of $1,000. If the sale price exceeds $100.0 million, a penalty of $20,000 is applied after 45 days, and an additional penalty if the applicable assessing office determines willful neglect.

Additionally, if the property is real property other than property classified as industrial real property or commercial property, a penalty of $5 per day applies for each separate failure beginning after the 45 days have elapsed, up to a maximum of $200. Under the bill, this maximum penalty would apply to a property owned and occupied as a principal residence. For all other property, the maximum penalty would be double the amount of additional taxes that could have been levied if the transfer had been recorded.

(Generally, "principal residence" would mean the one place where an owner of the property has his or her true, fixed, and permanent home to which, whenever absent, he or she intends to return and that shall continue as a principal residence until another principal residence is established.)

The bill would specify that the levies described above would only be a lien against the property if the property were still owned by the buyer, grantee, or other transferee that failed to notify the appropriate assessing office. If the property had subsequently been transferred to a buyer who did notify the appropriate assessing office, the penalties described above would be treated as the personal liability of the prior buyer, grantee, or transferee that failed to notify the assessing office of the prior transfer.

The treasurer of a local tax collecting unit or county treasurer, as applicable, would have to collect those amounts and distribute them in the same manner as other delinquent taxes, interest, and penalties. The governing body of a local tax collecting unit could waive, by resolution, the personal liability of the prior buyer, grantee, or other transferee for the penalties levied as described above for industrial real property, commercial real property, or property that was real property other than industrial real property or commercial property.

MCL 211.27b Legislative Analyst: Eleni Lionas

FISCAL IMPACT

The bill would have no fiscal impact on the State and an indeterminate fiscal impact on local units of government. The bill would change the maximum penalty of $200 to double the additional taxes that would have been levied if the transfer of ownership had been recorded as required under the Act from the date of transfer, for a non-principal residence. It is indeterminate whether this change would bring in more or less money depending on whether the maximum penalty under the new rule would be on average above or below $200. This amount would be different for each local government.

Fiscal Analyst: Bobby Canell

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