Legislative Analysis

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DELINQUENT PROPERTY TAX INSTALLMENT PLAN

House Bill 4882
Sponsor: Rep. Phil M. Cavanagh
Committee: Tax Policy
Complete to 6-3-14

A SUMMARY OF HOUSE BILL 4882 AS INTRODUCED 6-20-14

The bill would amend the General Property Tax Act (MCL 211.78h) to allow a local governmental unit, as an alternative to tax foreclosure, to create delinquent property tax installment payment plans for principal residences owned by "financially distressed persons" in "financially distressed communities."

If a person agrees to participate in such a plan, the foreclosing governmental unit could remove the property from the petition for tax foreclosure being submitted to circuit court listing property forfeited and not redeemed. If a person successfully completed the payment plan, the interest usually charged when tax delinquent property is redeemed would be waived. If the plan were not successfully completed, the interest would be applied and the property would be included in the next petition for foreclosure.

A "financially distressed community" would be defined as a local tax collecting unit that meets any two of the following conditions: (1) it has sustained a decrease in the aggregate taxable value of all real property of more than five percent in the previous three years; (2) more than five percent of all individual parcels of real property are currently subject to proceedings to foreclose a mortgage or land contract; and (3) it has sustained a population loss of more than five percent in the immediately preceding 25 years (as determined by the most recent federal decennial census).

A "financially distressed person" would be a person eligible under the statute to have property withheld from the tax foreclosure petition by virtue of undergoing substantial financial hardship (as determined by a written policy adopted by the local unit).

FISCAL IMPACT:

As written, the bill is likely to have a small and indeterminate impact on state and local revenues. By allowing for a delinquent property tax installment plan, local units and the state would recover some back taxes faster than they would have under current law, and potentially receive some revenue that would have been lost entirely if the property had been foreclosed. Some potential revenue will be lost by forgiving interest penalties for homeowners who successfully complete the installment plan. The balance between these two affects cannot be determined in advance with available data.

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