



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 295 (Substitute S-4 as reported)
Senate Bill 640 (Substitute S-2 as reported)
Sponsor: Senator Tupac A. Hunter (S.B. 295)
Senator Darwin Booher (S.B. 640)
Committee: Banking and Financial Institutions

CONTENT

The bills would amend Section 78m of the General Property Tax Act, which provides for the sale of foreclosed tax-delinquent property.

Senate Bill 295 (S-4) would preclude a prospective bidder, or any other person or entity acting as an agent for or in concert with the prospective bidder, from bidding on foreclosed tax-delinquent property if the prospective bidder, or any property the prospective bidder owned, had any unpaid fines for the violation of a blight elimination ordinance or a nuisance cessation ordinance of a local tax collecting unit in which the property was located. A person that directly or indirectly held an interest of 10% or more in property that had unpaid fines for such an ordinance violation, or that was under common control with a person who directly or indirectly held an interest of 10% or more in such property, would be ineligible to bid. Credit union service organizations and financial institutions would not be prohibited from bidding under these provisions.

The bill also would require prospective bidders to register with the foreclosing governmental unit at least 14 days before the start of an auction sale of foreclosed tax-delinquent property. Prospective bidders would have to certify under penalty of perjury that they were not a person, were not acting on behalf of a person, or were not under the direction or control of a person who met either of the following conditions:

- Held title to any property or claimed to hold title to any property when it became subject to a judgment vesting absolute title to that property in the foreclosing governmental unit in the prior three tax years.
- Held title to any property or claimed to hold title to any property that had been included in a foreclosure petition filed in the tax year in which the sale was held under Section 78m.

The foreclosing governmental unit could not accept bids from any person who did not register as required or who met either of the conditions described above. This prohibition would not prevent the foreclosing unit from selling property to a person as otherwise allowed by law after the property vested in the foreclosing unit.

Senate Bill 640 (S-2) would require a foreclosing governmental unit to hold a minimum of one property sale (rather than two or more) for foreclosed property. The bill would allow a joint sale by one or more foreclosing units. The bill also would allow notice of a sale to be published on an internet website maintained by the foreclosing agency, in addition to being published in a newspaper.

Currently, foreclosed property must be sold to the person bidding the highest amount above the minimum bid. Under the bill, instead, when property was offered for sale with a minimum bid established by the foreclosing governmental unit, the property would have to be sold to the person bidding the minimum bid or, if a bid were greater than the minimum, the highest amount bid above the minimum.

In addition, the bill would allow a foreclosing governmental unit to require a purchaser to provide to the tax collecting unit proof of payment of any property taxes owed on the parcel at the time of the sale. A foreclosing unit could cancel a sale if unpaid property taxes owed on a parcel or parcels at the time of a sale were not paid within 30 days of the sale. The bill would require the foreclosing unit to convey the property by deed to the winning bidder within 15 days after proof of payment was provided to the tax collecting unit, or (as currently required) within 30 days after the sale, whichever was later.

Currently, if the State is the foreclosing unit, the Department of Natural Resources is responsible for conducting the sale of property. The bill would refer to the Department of Treasury.

In provisions regarding the deposit of proceeds in a restricted account, the bill would require that the foreclosing unit direct the expenditure and investment of the account consistent with the Act's requirements applicable to a delinquent tax revolving fund.

MCL 211.78m

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bills would potentially increase local unit revenue by an unknown and likely minimal amount and would reduce the local and State costs of selling tax-delinquent property by an unknown amount.

To the extent that Senate Bill 295 (S-4) would reduce instances in which taxpayers fail to pay taxes and then repurchase the delinquent properties after they have been foreclosed, and other similar situations, the bill would likely generate additional revenue. To the extent that sale prices were reduced and/or taxes remained unpaid after a foreclosure sale, the impact of the bill would be less.

Date Completed: 2-25-14

Fiscal Analyst: Elizabeth Pratt
David Zin

Floor\sb295

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.