



**House  
Legislative  
Analysis  
Section**

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**TAX DEED: SPECIAL ASSESSMENTS**

House Bill 4707 as introduced  
First Analysis (6-3-93)

Sponsor: Rep. Willis Bullard, Jr.  
Committee: Taxation

***THE APPARENT PROBLEM:***

Property taxes that remain delinquent for three years are put up for "sale", and tax lien investors can pay the taxes, along with fees and interest, and gain the right to collect a premium from property owners who want to reclaim or redeem their property. Tax lien buyers must allow owners one year to redeem the property at a cost of 15 percent interest. If property is not redeemed during that time, the tax lien buyer is issued a "tax deed" and can send a demand for payment of taxes plus a 50 percent penalty from parties with a recorded interest in the property. This must be done within five years after issuance of the tax deed. If the taxes and penalty are not paid within the six months after notice is served, tax experts say, the tax lien buyer can become the owner of the property. The General Property Tax Act says the tax deed conveys an absolute title to the land sold "subject, however, to all taxes assessed and levied on such lands subsequent to the taxes for which the same was bid off." Representatives of the City of Novi have expressed concern about this provision. Their fear is that it might not apply to special assessments they utilize to finance public improvements. These assessments, say lawyers for the city, are nearly always paid in "yearly installments over an extended period of time." This means the special assessments have been "assessed and levied" already but the installment payments continue into the future. The legal concern is that an argument could be made that such special assessment installment payments do not fall under the language of the act that requires the holder of a tax deed to pay taxes assessed and levied subsequent to the delinquent taxes paid or purchased by the tax lien buyer. The installment payments are made subsequent to the delinquent taxes but the special assessments were actually "assessed and levied" before the taxes that became delinquent. The city seeks an amendment that would make it clear that a tax deed conveys title to property subject to payment of special assessments and special assessment installments.

***THE CONTENT OF THE BILL:***

The bill would amend the General Property Tax Act to specify that a tax deed issued by the state treasurer to a person who has purchased (that is, paid) the delinquent taxes on real property would convey an absolute title to the land sold "subject to unpaid special assessments and unpaid installments of special assessments." (The act already makes the title subject to all taxes assessed and levied subsequent to the taxes for which the property was bid off.)

MCL 211.72

***FISCAL IMPLICATIONS:***

There is no information at present.

***ARGUMENTS:***

***For:***

The bill would provide assurance that special assessment installments must be paid by a person who gains title to property through the issuance of a tax deed stemming from the payment of back taxes.

***POSITIONS:***

A representative of the City of Novi testified in support of the bill. (6-3-93)

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