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SFA**BILL ANALYSIS**

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House Bill 5014 (Substitute H-1 as passed by the House)
Sponsor: Representative Mary Ann Middaugh
House Committee: Regulatory Reform
Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 2-14-00

CONTENT

The bill would amend the Seller Disclosure Act to require that a seller's disclosure statement contain specific language concerning property taxation; require a statement to include information about outstanding assessments, pending litigation, flood insurance, and mineral rights; and revise the information that must be in a statement regarding appliances.

Under the Act, a person who transfers residential real property is required to give a seller's disclosure statement to the person's agent, the prospective transferee, or the transferee's agent. The statement must contain specific disclosures on a form set forth in the Act. The form contains questions and information about appliances, property conditions and improvements, and other items.

The bill would delete a requirement that the statement indicate the amount of the most recent State equalized valuation of the property provided by the local taxing unit. Under the bill, a statement would have to advise the buyer that, "...the state equalized value of the property, homestead exemption information, and other real property tax information is available from the appropriate local assessor's office. Buyer should not assume that buyer's future tax bills on the property will be the same as the seller's present tax bills. Under Michigan law, real property tax obligations can change significantly when property is transferred."

Under the form's categories of "Property conditions, improvements, and additional information" and "Other items", the seller is required to check "unknown", "yes", or "no" in response to certain questions. In the category of "Other items", the bill would add the following:

- "Any outstanding utility assessments or fees, including any natural gas main extension surcharge?"
- "Any outstanding municipal assessments or fees?"
- "Any pending litigation that could affect the property or the seller's right to convey the property?"

In the category regarding property conditions, the bill would add the following:

- "Flood insurance: Do you have flood insurance on the property?"
- "Mineral rights: Do you own the mineral rights?"

Currently, this category includes, "Basement: Has there been evidence of water?" The bill would amend this to "Basement/crawl space: Has there been evidence of water?"

Under the category of "Appliances/systems/services", the form states, "The items below are in working order:", and the seller is required to check "yes", "no", "unknown", or "N/A" (nonapplicable). Under the bill, the statement also would have to specify, "(The items below are included in the sale of the property only if the purchase agreement so provides)". In addition, the bill would do the following:

- Refer to "not available", instead of "N/A".
- Include "washer" and "dryer" in the listed items.
- Refer to "wall furnace", instead of "furnace".

Currently, the form states, "The seller has owned the property since _____ (date) and makes representation only since that date." The bill would remove, "and makes representation only since that date". The form also states, "The seller has indicated the history and condition of all the items based on that information known to the seller." The bill would delete reference to the items' history.

If a form described in the Act had been printed before the bill's effective date and complied with the Act at that time, it could be used until 90 days after the bill's effective date.

MCL 565.957

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: R. Ross