

# Legislative Analysis

---



## REQUIRE REVERTER CLAUSE IN DEEDS WHEN TAX DELINQUENT PROPERTY IS TRANSFERRED

Mary Ann Cleary, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 5398**

**Sponsor: Rep. Philip M. Cavanagh**

**Committee: Tax Policy**

**Complete to 3-6-12**

### A SUMMARY OF HOUSE BILL 5398 AS INTRODUCED 2-14-12

Section 78m of the General Property Tax Act describes the process involved in disposing of tax delinquent property. It describes how such property can be acquired by the state or by local units of government, and also how sales of property to other parties are to be conducted by the foreclosing governmental unit.

The section requires that once the property has been transferred, the foreclosing governmental unit must record a deed with the county register of deeds. House Bill 5398 would require that this deed contain a reverter that provides that the property being transferred would revert to the foreclosing governmental unit if the taxes are returned as delinquent within three years after the property's transfer. The reverter is to be in a form prescribed by the Department of Treasury. (The foreclosing governmental unit is typically the appropriate county, although the state acts as the FGU for 12 counties, according to information from the Department of Treasury.)

### FISCAL IMPACT:

In the event the new purchaser also becomes delinquent, there could be administrative savings by having the property revert to the foreclosing governmental unit, thus avoiding a subsequent foreclosure process.

Legislative Analyst: Chris Couch

Fiscal Analyst: Jim Stansell

---

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.