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Senate Bill 91 (as introduced 1-27-11)
Sponsor: Senator Steven Bieda
Committee: Finance

Date Completed: 3-28-11

CONTENT

The bill would amend the General Property Tax Act to limit the ability of people to bid on tax delinquent property if they held title to or had a lien on the property before judicial foreclosure, or represented someone who did.

Section 78m of the Act governs the sale at auction of tax delinquent property by a foreclosing governmental unit (a county or the State) after the circuit court has entered a judgment vesting absolute title to the property in the foreclosing governmental unit (FGU).

The bill would require prospective bidders to register with the FGU at least 14 days before the start of the sale. Prospective bidders would have to certify that they were not a person, or not acting on behalf of a person, who met either of the following conditions:

- Held or claimed title to the property before entry of judgment.
- Had or claimed to have a lien on the property before entry of judgment.

The foreclosing governmental unit could not accept a bid from any person who met either of those conditions, unless the FGU determined that accepting the bid was in the best interests of the city, village, township, or county in which the property was located.

MCL 211.78m

BACKGROUND

The General Property Tax Act prescribes procedures governing the forfeiture, foreclosure, and sale of property for delinquent taxes. The current procedures were enacted in 1999 to replace a process that was considered overly complex and lengthy. A very simplified description of the current process follows.

When taxes are unpaid for the period of time provided in the Act, and required notices have been given, the property is forfeited to the county. (When property is "forfeited", the FGU may seek a foreclosure judgment if the property is not redeemed, but the FGU does not have a right to possession or any other interest in the property.)

By June 15 each year, the foreclosing governmental unit must file with the circuit court a foreclosure petition listing all property forfeited and not redeemed. (Property may be redeemed by the payment of taxes, interest, penalties, and fees before or after the petition is filed.) The court clerk must schedule a foreclosure hearing to take place not later than 30 days before the following March 1.

At least seven days before the foreclosure hearing, the foreclosing governmental unit must hold a hearing to show cause why title to the forfeited property should not vest in the FGU. The property owner or anyone with an interest in the property may appear to show cause or to redeem the property.

At the foreclosure hearing, a person claiming an interest in a parcel may contest the validity or correctness of the taxes, interest, penalties, or fees for reasons listed in the Act.

After the hearing, the court must enter a judgment as provided in the Act. A foreclosure judgment must specify that title to foreclosed property will vest absolutely in the FGU, without further rights of redemption, if the delinquent taxes, interest, penalties, and fees are not paid by March 31 following the judgment, or, in a contested case, within 21 days after the judgment is entered.

Unless foreclosed property is purchased by the State or a city, village, township, or county, the property must be sold at auction. The FGU must hold at least two auction sales between July and November. As a rule, property must be sold to the highest bidder.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State government. It would have a negligible impact on local units of government.

Fiscal Analyst: David Zin

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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.