

RULES AUTHORIZING ACQUISITION & SALE OF PROPERTY BY FORECLOSING GOVERNMENTAL UNITS

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House Bill 5398 (Substitute H-4)
Sponsor: Rep. Jon Bumstead
Committee: Local Government
Complete to 6-10-14

A SUMMARY OF HOUSE BILL 5398 (H-4) AS REPORTED FROM COMMITTEE

House Bill 5398 (H-4) would amend the General Property Tax Act to set rules under which a local government foreclosing on tax delinquent properties could acquire and then sell those properties. A more detailed description of the bill follows.

The bill specifies that a foreclosing governmental unit for a county (other than the state) could acquire property owned by the state, the federal government, or another governmental entity to facilitate the sale of tax reverted property under Section 78 with the consent of the state, the federal government, or other governmental entity that owns the property.

Under the bill, methods of acquisition could include, but would not be limited to, an exchange of property owned by the county for property of approximately equal value that was owned by the state, the federal government, or another governmental entity. (The bill also specifies that for purposes of this subsection, "governing entity" includes an authority.)

If the foreclosing governmental unit for a county was not the state, then a Land Bank Fast Track Authority (created under the Land Bank Fast Track Act) could convey real property owned by the authority to the foreclosing governmental unit, including a conveyance for no monetary consideration.

The bill specifies that the costs incurred by the governmental unit, and a subsequent sale or transfer of the property, would be deemed to represent a fair exchange of value for value.

In addition, House Bill 5398 (H-4) requires that a party to a conveyance execute and record all documents necessary to effectuate a conveyance, including but not limited to, a quitclaim deed or affidavit of jurisdictional transfer with the register of deeds in the county where the property is located.

Further, the bill requires that property acquired in the manner described above, must be offered for sale (and may be offered for sale as a group with other parcels). The bill prohibits the property from being conveyed or transferred to the state, or to a city, village, township, or county under Section 78m(1) or (3). Any net proceeds from the sale of the property would have to be deposited into an account as the delinquent tax property sales

proceeds, for the year in which the property was sold by the foreclosing governmental unit.

Finally, House Bill 5398 (H-4) specifies that this section of the act would not alter the powers, duties, functions, or responsibilities of an authority under the Land Bank Fast Track Act.

MCL 211.78r

BACKGROUND INFORMATION:

According to testimony from the Newaygo County Treasurer, the aim of the bill is (1) to successfully combine small parcels of land not currently on the tax roll or that continually tax revert due to their inaccessibility or non-buildable size, by means of a jurisdictional transfer to the county treasurer and (2) assist the state, federal government, and other governmental units in returning public lands to private ownership. The bill promotes intergovernmental cooperation and collaboration to accomplish this end.

FISCAL IMPACT:

As written the bill would have no direct impact on state or local revenues. To the extent that this bill could speed up the return of these properties to the tax rolls, local units could see property tax revenues increase earlier than they would have otherwise under current law. The magnitude of this increase would depend on the particular characteristics of the property and the local unit's tax structure, which precludes making an estimate of the increase.

POSITIONS:

Newaygo County supports the bill. (5-8-14)

The Michigan Association of County Treasurers supports the bill. (6-5-14)

The Michigan State Housing Development Authority/Michigan Land Bank support the bill. (6-5-14)

The Michigan Association of Counties supports the bill. (6-5-14)

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■ 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.