

RULES AUTHORIZING ACQUISITION & SALE OF PROPERTY BY FORECLOSING GOVERNMENTAL UNITS

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House Bill 5398

Sponsor: Rep. Jon Bumstead
Committee: Local Government
Complete to 5-7-14

A SUMMARY OF HOUSE BILL 5398 AS INTRODUCED 3-6-14

House Bill 5398 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 (but not the state where the state fulfills this function) 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 of the act. 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.

Further, 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 for no monetary consideration and with the governmental unit's consent.

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 requires that a foreclosing governmental unit execute and record all documents necessary to effectuate a conveyance, including but not limited to, a quitclaim deed or affidavit of jurisdictional transfer. The bill specifies these documents could be recorded with the register of deeds in the county where the property is located without payment of a fee.

Finally, 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, county, or authority. 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.

MCL 211.78r

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.

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