Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 532 (as reported without amendment)
Sponsor: Senator Jack Brandenburg
Committee: Finance

CONTENT

The bill would amend provisions of the General Property Tax Act under which a bank or other lending institution may retain the principal residence exemption (PRE) on foreclosed property, to delete requirements that the bank or lending institution pay what it otherwise would have paid in school operating taxes, as well as an administration fee.

The Act allows a bank, land contract vendor, credit union, or other lending institution (referred to below as a "bank") to retain the PRE on property that the bank owns as a result of a foreclosure or forfeiture of a recorded instrument, if the property had been exempt immediately before the foreclosure. The bank must pay an amount equal to the additional amount it would have had to pay under Section 1211 of the Revised School Code if a PRE had not been retained (i.e., taxes levied for school operating purposes, which typically are 18 mills). The Act allocates the payment to the State School Aid Fund.

The bank also must pay an administration fee equal to the property tax administration fee that a local tax collecting unit may collect and retain.

The bill would delete the requirements that a bank, land contract vendor, credit union, or other lending institution retaining the PRE pay the amount it would have had to pay under Section 1211 of the Revised School Code and pay an administration fee.

MCL 211.7cc Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase School Aid Fund expenditures by an unknown amount and/or reduce revenue to local school districts by an unknown amount. The value of property that is currently under foreclosure and that could be affected by the bill is not known, although in the 12 months ending in August 2013, foreclosures had been completed on 59,535 homes in Michigan. Assuming an average taxable value of $40,000 for these homes, the bill would reduce local revenue generated by the 18 mills of property tax by $42.9 million if a bank or other lending institution retained the principal residence exemption on all of these homes. School Aid Fund expenditures would need to be increased to maintain current per-pupil funding guarantees. To the extent that per-pupil funding allowances were affected by the changes, revenue to local school districts would be reduced.

Local unit revenue also would be reduced by an unknown amount, due to the loss of administration fee revenue on the affected amounts. Using the example above, the reduction would total a maximum of $0.4 million.

Date Completed: 10-31-13 Fiscal Analyst: David Zin