

Legislative Analysis



PROPERTY TAX FORECLOSURE EXEMPTIONS FOR OIL AND GAS LEASES, ETC.

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5912 as introduced
Sponsor: Rep. Aric Nesbitt
Committee: Energy Policy
Complete to 11-29-16

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 433 of 2016)

SUMMARY:

Section 78k of the General Property Tax Act, in concert with the Dormant Minerals Act of 1963, exempts certain oil and gas interests from tax foreclosure if the interests are held by a person other than the owner of the surface of the property subject to foreclosure.

Notably, the GPTA exempts from foreclosure the interests of a lessee, or an assignee of an interest of a lessee, under an oil or gas lease recorded with the county register of deeds within 20 years before the foreclosure petition was filed, as well as similar interests in oil or gas. (The section also exempts other easements, rights of way, and private deed restrictions.)

House Bill 5912 would extend the foreclosure exemption to include "interests in property assessable as personal property under Section 8 (g) of the General Property Tax Act." That section includes under personal property:

- Interests in underground rock strata used for gas storage purposes, whether by lease or ownership separate from the surface of real property.
- Personal property of gas and coke companies, natural gas companies, electric light companies, waterworks companies, hydraulic companies, and pipe line companies transporting oil or gas as public or common carriers.
- The mains, pipes, supports, and wires of these companies, including the supports and wire or other line used for communication purposes in the operation of those facilities, and the rights of way and the easements or other interests in real property by virtue of which the mains, pipes, supports, and wires are erected and maintained.

FISCAL IMPACT:

To the extent personal property that would be exempt from foreclosure remains in service, property tax revenues accruing to local taxing entities (local governments, school districts, libraries, etc.) would be larger than if the personal property is foreclosed upon and removed from service.

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

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