

ELIMINATE SUNSET ON AUTHORITY TO ENTER TAX FORECLOSURE AVOIDANCE AGREEMENTS

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House Bill 4121 as reported from committee

Sponsor: Rep. Wendell Byrd

1st Committee: Local Government and Municipal Finance

2nd Committee: Ways and Means

Complete to 4-9-19

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

BRIEF SUMMARY: House Bill 4121 would amend the General Property Tax Act to allow county treasurers to enter into tax foreclosure avoidance agreements after June 30, 2019.

FISCAL IMPACT: Eliminating the sunset would allow local governments to potentially avoid foreclosures and collect existing property taxes. However, the fiscal impact on local governments and the state is likely to be relatively small.

THE APPARENT PROBLEM:

When a county treasurer or other governmental unit forecloses on real property with delinquent taxes, in addition to depriving a person of his or her property, there is not always a certainty that the foreclosure will pay off the total amount of the delinquent taxes in question. As a result, the governmental unit is left without its full tax revenue, while the former owner is left without the property he or she once possessed.

The act currently allows county treasurers to enter into tax foreclosure avoidance agreements with the owners of property with delinquent taxes for a term of up to five years. Tax foreclosure avoidance agreements were of great use to a handful of counties in the aftermath of the Great Recession, allowing them to avoid foreclosing on the property of many economically vulnerable residents in order to make up for lost revenue. The act puts a sunset (expiration date) on this authority, however, of June 30, 2019. Legislation has been proposed to remove this sunset provision.

THE CONTENT OF THE BILL:

The General Property Tax Act currently allows county treasurers to enter into tax foreclosure avoidance agreements with the owners of property with delinquent taxes for a term of up to five years. The act puts a sunset (expiration date) on this authority of June 30, 2019.

The bill would eliminate this sunset, which would give county treasurers permanent authority to enter into tax foreclosure avoidance agreements.

MCL 211.78q

BRIEF DISCUSSION:

Proponents of the bill argued that tax foreclosure agreements have prevented over 24,000 foreclosures, with very few people ultimately failing to pay their delinquent taxes. They argued that the reason a sunset was placed on the provision in the first place was because of the experimental nature of the tax foreclosure avoidance agreements; now that the agreements have proven successful, it makes sense to remove the sunset and let counties continue to use them in the future.

POSITIONS:

The following organizations testified in support of the bill:

Wayne County Treasurer (3-13-19)
AFSCME Council 25 (3-20-19; and indicated support 4-9-19)

The following organizations indicated support for the bill (3-13-19):

City of Detroit
Michigan Association of Counties
Michigan Realtors Association
Michigan Townships Association
Southeast Michigan Council of Governments
Michigan Municipal League
Michigan Association of County Treasurers

Legislative Analyst: Nick Kelly
Fiscal Analyst: Jim Stansell

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