



**House
Legislative
Analysis
Section**

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**BUILDINGS ON LEASED LAND:
DELINQUENT TAXES**

**House Bill 5587 as introduced
First Analysis (2-28-02)**

**Sponsor: Rep. Nancy Cassis
Committee: Tax Policy**

THE APPARENT PROBLEM:

Public Act 415 of 2000 (House Bill 4373) amended the General Property Tax Act so that buildings and improvements located on leased land would, generally speaking, be taxed as real property and not as personal property, as the statute previously provided. (For all practical purposes, this is how many local tax assessors treated such property anyway, say tax experts.) The new act applies to taxes levied after December 31, 2002. At the time this change was made, there was recognition that some difficulties could arise with the collection of delinquent taxes. Delinquent real property taxes are dealt with differently than delinquent personal property taxes, with the former involving county treasurers and state government and the second involving local tax collection units and the courts. County treasurers had expressed concerns when Public Act 415 was passed about the appropriateness of treating delinquent taxes on buildings on leased land like delinquent real property taxes. The problem principally involves cases in which a building and the land on which the building sits are taxed separately to different owners. The taxes on the building could be delinquent but not the taxes on the land. County treasurers say that in such cases, the new real property forfeiture, foreclosure, and sale process doesn't work well for the building. They propose, instead, that for the purposes of collecting delinquent taxes, buildings and improvement on leased land be treated like personal property taxes, as in the past.

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act so that buildings and improvements on leased land that remained unpaid on February 15th would be collected in the same manner as unpaid taxes levied on personal property and would not be returned to the county treasurer for forfeiture, foreclosure, and sale under the real property delinquency process. (For other purposes, such buildings and improvements would be taxed as real property.)

If the county treasurer discovered that unpaid taxes on buildings and improvements on leased lands had been returned as delinquent for forfeiture, foreclosure, and sale, the county treasurer would have to return those unpaid taxes to the appropriate local tax collection unit for collection as if they were unpaid personal property taxes.

MCL 211.44

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill is not expected to have any significant fiscal impact. (HFA fiscal note dated 2-27-02)

ARGUMENTS:

For:

Although it makes sense to treat buildings and other improvements on leased land -- that is that sit on land owned by someone else -- as real property like other buildings for the purpose of levying taxes, it does not make sense to treat them that way when taxes are delinquent. Tax collectors say that in cases in which the building and the land on which it sits are taxed separately to different owners, the process for dealing with delinquent real property taxes, involving the forfeiture, foreclosure, and sale on property, does not work well. This bill would allow delinquent taxes on such property to be treated like delinquent personal property taxes and be the responsibility of the local tax collecting unit and not the county treasurer. This approach has the support of local, county, and state tax collectors.

POSITIONS:

The Department of Treasury supports the bill. (2-27-02)

The Michigan Association of County Treasurers supports the bill. (2-27-02)

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The Michigan Townships Association supports the bill. (2-27-02)

The Michigan Municipal League supports the bill. (2-27-02)

Analyst: C. Couch

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