

Legislative Analysis



FAILURE TO RECORD TRANSFER OF PROPERTY OWNERSHIP

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<http://www.house.mi.gov/hfa>

Senate Bill 175 as enrolled

Sponsor: Sen. Sylvia A. Santana

House Committee: Tax Policy

Senate Committee: Finance, Insurance, and Consumer Protection

Complete to 6-28-24

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

(Enacted as Public Act 97 of 2024)

SUMMARY:

Senate Bill 175 would amend the General Property Tax Act to increase the fines for certain individuals that fail to file a transfer of property ownership with the local assessing officer.

Currently, the act requires a buyer, grantee, or other transferee in the transfer of ownership of a property to notify the local assessing officer of the transfer within 45 days and prescribes certain penalties for failing to do so. Among these is a penalty of \$5 per day, up to a maximum of \$200, for a failure to notify the assessor of a transfer of property other than industrial or commercial real property.

Under the bill, this maximum fine would be increased to \$4,000, except if the property is owned and occupied as a principal residence. For principal residences, the maximum fine would remain \$200.

Penalties as a lien

The bill would also provide that the penalties levied for a failure to record a transfer of ownership would be a lien against the property if it is still owned by the person that failed to notify the assessing officer of the transfer. If the property were subsequently transferred to a person that did properly notify the assessing officer, the penalties would be levied as a personal liability on the person that failed to record the previous transfer, rather than against the property. In these cases, the penalties would be collected and distributed in the same manner as penalties levied against a property.

The bill would also allow the governing body of the local tax collecting unit to waive the penalties in excess of the additional taxes or interest and penalties assessed on those taxes by resolution if penalties are levied against the personal liability of the person.

If the amounts are treated as a personal liability, the state treasurer or their authorized representative would have to serve as the collection agent upon request of the local treasurer. In such cases, the state would retain up to 20% of any amounts recovered as its collection fee and distribute the remaining recovered amounts to the treasurer of the local tax collecting unit to be distributed as required by the act. The collections would be administered as described in section 25 of 1941 PA 122.¹

MCL 211.27b

¹ <https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-205-25>

BRIEF DISCUSSION:

According to House committee testimony, the bill is intended to address the issue of flippers or speculators buying a property and selling it to another person without recording the initial transfer in order to avoid paying the uncapped property taxes.² This can leave the new owners of the property liable for large unpaid property tax bills and a lien against their property.

Some raised concerns in House committee that county treasurers would be responsible for collecting the penalties that are levied as a personal liability under the bill, arguing that it was something they do not have adequate tools to accomplish effectively. An H-2 substitute adopted on the House floor added the provisions described above that require the state treasurer to serve as the collection agent upon request.

FISCAL IMPACT:

The bill likely would increase local revenues from penalties by an unknown amount that would vary by local jurisdiction. In situations where the liability was deemed a personal liability, the Department of Treasury would realize increased costs for collection duties, but those costs presumably would be offset by the department's ability to capture 20% of any amount collected.

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■ 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.

² For more information about uncapping property taxes: <https://www.michigan.gov/taxes/property/change-ownership>