

Legislative Analysis



LAND SALES ACT: REPEAL

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House Bill 6390 as introduced
House Bill 6391 as introduced
Sponsor: Rep. Barbara Farrah
Committee: Regulatory Reform

First Analysis (9-24-08)

BRIEF SUMMARY: House Bill 6391 would repeal the Land Sales Act, and House Bill 6390 would repeal a provision of the Occupational Code pertaining to promotional sales in this state of property located out of state.

FISCAL IMPACT: A fiscal analysis is in process.

THE APPARENT PROBLEM:

The Land Sales Act regulates the disposition of lots in subdivisions located in other states that are offered for sale to Michigan residents. According to the Department of Labor and Economic Growth, the department gets inundated with boxes and boxes of documentation required to be submitted by developers. For example, a copy of every advertisement for the sale of the property must be submitted, along with many other types of information. Apparently, the submissions required by the act are redundant, from a regulatory standpoint, as the same type of information must be submitted under federal law to a federal agency. Moreover, continued budget shortfalls has left the department too understaffed to provide the regulatory oversight required by the act. The department has requested that the act, and a provision in the Occupational Code relating to in-state sales of out-of-state property, be repealed.

THE CONTENT OF THE BILLS:

House Bill 6391 would repeal the Land Sales Act (MCL 565.801-565.835). The act pertains to the disposition of lots, parcels, units, or interests in land from subdivisions, including a provision that requires the owner of land which had been subdivided and is being offered for sale to include in a property report certain information about the property for sale and submit the report to prospective buyers.

House Bill 6390 would amend the Occupational Code (MCL 339.2511) to eliminate a provision pertaining to promotional sales in this state of property located outside of the state. Currently, under the provision, a real estate broker who proposes to engage in sales of a promotional nature of out-of-state property must submit a description of the property and the proposed terms of sale to the Department of Labor and Economic Growth. Expenses incurred by the department to investigate the property and the proposed sale must be borne by the real estate broker. Further, a real estate broker or salesperson is prohibited from referring to the state Corporation and Securities Commission in selling,

offering for sale, advertising, or otherwise promoting the sale, mortgage, or lease of property, or from making a representation that the property had been inspected or approved or otherwise passed upon by the department, or by a state official, department, or employee.

ARGUMENTS:

For:

According to representatives of the Department of Labor and Economic Growth, federal regulators collect and review the same documents from developers of subdivisions that the department is required to do under the Land Sales Act and a provision in the Occupational Code. They maintain that not only is this redundant and a burden on business owners who must file duplicate documents with state and federal agencies, but it also overburdens the department, which continues to struggle under staff shortages due to the continued slow state economy and resultant budget constraints. Reportedly, an average submittal can fill several boxes or file drawers. Elimination of this duty on the department would allow staff to attend to other oversight functions that they alone can fulfill.

POSITIONS:

The Department of Labor and Economic Growth supports the bills. (9-23-08)

The Michigan Association of Realtors has not yet taken a formal position on the bills. (9-24-08)

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