

Legislative Analysis



DELINQUENT PROPERTY TAX INSTALLMENT PLAN

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House Bill 4882 (Substitute H-1)
Sponsor: Rep. Phil M. Cavanagh
Committee: Tax Policy

Complete to 6-16-14

A SUMMARY OF HOUSE BILL 4882 AS REPORTED FROM COMMITTEE

The bill would amend the General Property Tax Act to allow a local governmental unit, as an alternative to tax foreclosure, to create delinquent property tax installment payment plans for principal residences owned by "financially distressed persons."

If a person agreed to participate in such a plan, the foreclosing governmental unit could remove the property from the petition for tax foreclosure being submitted to circuit court listing property forfeited and not redeemed. If a person successfully completed the payment plan, the interest usually charged when tax delinquent property is redeemed would be waived. If the plan were not successfully completed, the interest would be applied and the property would be included in the next petition for foreclosure.

A "financially distressed person" would be a person currently eligible under the statute to have property withheld from the tax foreclosure petition by virtue of undergoing substantial financial hardship (as determined by a written policy adopted by the local unit) and who was not delinquent in satisfying a delinquent property tax installment plan for any property within the foreclosing unit. If such a financial hardship policy is adopted, under current law, it must at least apply to those who meet federal poverty income standards.

MCL 211.78h

FISCAL IMPACT:

As written, the bill is likely to have a small and indeterminate impact on state and local revenues. By allowing for a delinquent property tax installment plan, local units and the state would recover some back taxes faster than they would have under current law, and potentially receive some revenue that would have been lost entirely if the property had been foreclosed. Some potential revenue will be lost by forgiving interest penalties for homeowners who successfully complete the installment plan. The balance between these two affects cannot be determined in advance with available data.

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