Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 423 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Stephanie Chang
Committee: Finance, Insurance, and Consumer Protection

Date Completed: 11-24-25

RATIONALE

Generally, property owners must pay the current year's property taxes to their municipalities. If a property owner fails to pay property taxes, the debt is transferred to the applicable county treasurer. The county treasurer adds to the debt a 4% fee and a 1% interest rate, which increases every month for which the delinquent tax remains unpaid (up to 12%). If delinquent property taxes remain unpaid for a second year, the interest rate increases to 1.5% per month or from 12% to 18%. Additionally, the property for which taxes have not been paid is forfeited to the county treasurer. If delinquent property taxes are not paid after three years, the foreclosing governmental unit (either the county or the State, depending on the county) forecloses the property and sells it at auction to recover unpaid taxes, interest, and penalties.

Households, regardless of income, may struggle to pay back taxes, interest, and other penalties in addition to the current year's property taxes. To help homeowners avoid foreclosure, the State allows municipalities to operate delinquent property payment reduction and tax foreclosure avoidance agreement programs. Delinquent property payment reduction programs, such as the Poverty Exemption Reduction Initiative program in Ingham County, involve the reduction of interest rates or the elimination of interest penalties. Tax foreclosure avoidance agreement programs, such as the Pay As You Stay program in Wayne County, allow county treasurers to enter into agreements with homeowners to pay back taxes in installments over a period of up to five years. According to testimony before the Senate Committee on Finance, Insurance, and Consumer Protection, programs such as these greatly benefit Michigan families by reducing the chance of foreclosure. Accordingly, it has been suggested that the sunsets on these programs be extended indefinitely.

CONTENT

The bill would amend the General Property Tax Act to delete sunsets on provisions that allow for payment reduction measures and foreclosure avoidance agreements on eligible property with delinquent property taxes.

Under the Act, on March 1 in each tax year, property delinquent for taxes, interest, penalties and fees for the preceding 12 months or more is forfeited to the county treasurer for the total amount of those unpaid delinquent taxes, interest, penalties, and fees. A governmental unit may withhold property from the delinquency process under certain circumstances, including cases of substantial financial hardship. For such cases, the Act allows a foreclosing government to grant a delinquent property tax payment reduction, create a delinquent property tax installment payment plan or a tax foreclosure avoidance agreement, or enact some combination of these options.

For a delinquent property payment reduction, a participating local governmental unit could reduce delinquent taxes to specified percentages, cancel some or all taxes that represented charges for services that became delinquent, and cancel all interest penalties, and fees required under the Act. This provision expired July 1, 2025. The bill would delete the sunset date.

For a tax foreclosure avoidance agreement, a county treasurer may enter into an agreement for a term of up to five years if the property is classified as residential real property, is eligible property, and if the owner makes an initial payment of the delinquent taxes owed on the property in an amount determined by the county treasurer. Currently, this provision is set to expire June 30, 2026. The bill would delete the sunset date.

MCL 211.78g & 211.78q

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

By passing the bills, the State would continue to support Michigan families, communities, and itself. Delinquent property payment reduction and tax foreclosure avoidance agreement programs help families remain in their homes. Without these programs, families face the threat of foreclosure and homelessness. Homes from which residents are removed due to an inability to pay property taxes may sit vacant, as the cost of housing across the State continues to rise.[1] Such houses may deteriorate over time, contributing to property blight which, in turn, negatively affects nearby property values. Additionally, residents made homeless through the foreclosure process also affect their communities. Unhoused individuals may rely on community support, such as welfare programs, and drain those resources, especially in communities with large populations of unhoused individuals. Unhoused individuals may struggle to access routine healthcare and mental health services, turning health issues into potential crises. Unhoused individuals may resort to addictive substances or crime, further costing communities. Homelessness also harms local economies more directly, affecting tourism and property values. Lastly, homelessness, especially as a result of unaffordable housing, may contribute to the breakdown of community morale. By aiding residents in remaining in their homes, programs like those the bill would support contribute to healthier, more stable communities.

Healthier communities save the State money. Delinquent property payment reduction and tax foreclosure avoidance agreement programs reduce the State's spending on resources to alleviate blight. Additionally, unaffordable housing negatively affects the State’s tax base. Households made homeless through the foreclosure process do not pay property taxes, a significant part of local revenue. Allowing communities to continue to invest in delinquent property payment reduction and tax foreclosure avoidance agreement programs would not only help Michigan families and communities but also local governments.

Supporting Argument

The bill could increase local investment in delinquent property payment reduction and tax foreclosure avoidance agreement programs. According to testimony before the Senate Committee on Finance, Insurance, and Consumer Protection, only a few communities throughout the State have taken advantage of such programs. This may result from concern about the long-term viability of these programs. By extending them, the State would show that these programs are here to stay and encourage local governments to use them.

Legislative Analyst: Nathan Leaman

---

[1] Manes, Nick, "Housing used to be cheap in rural Michigan. Now, not so much", Crain's Detroit Business, November 21, 2025.

FISCAL IMPACT

The bill would eliminate two sunset provisions related to the collection of property taxes. One eliminated sunset concerns a provision allowing the reduction of delinquent taxes owed on a forfeited property under certain circumstances. Eliminating the sunset would have a minor negative fiscal impact on the State and an indeterminate fiscal impact on local government. If the delinquent tax liability were reduced, revenue to the local government also would be reduced; however, if the taxes collected would not have been collected otherwise, the net fiscal impact for the local government would be positive. Any additional administrative costs for county treasurers or the State would be minimal and would be absorbed under existing appropriations. Since the provisions would be voluntary for local units of government, the total impact is impossible to estimate and would depend on how exactly the provisions were used.

The bill also would eliminate a sunset on provisions for a foreclosing governmental unit to enter an installment payment plan with an eligible taxpayer and thus would maintain an option for collecting property tax revenue and preventing foreclosure. The bill would have an unknown but likely minimal fiscal impact on State and local property tax revenue.

Fiscal Analyst: Bobby Canell