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

BILL ANALYSIS

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

Senate Bill 808 (Substitute S-1 as reported)
Senate Bill 809 (Substitute S-1 as reported)
Senate Bill 881 (Substitute S-2 as reported)
Sponsor: Senator Jim Runestad (S.B. 808)
Senator Ruth Johnson (S.B. 809)
Senator Stephanie Chang (S.B. 881)
Committee: Finance

CONTENT

Senate Bill 808 (S-1) would amend the General Property Tax Act to require a statement to be included on various notices required during the property tax foreclosure process warning that a delinquent payment submitted to the local tax collecting unit instead of the county treasurer cannot be applied to the delinquent amount and will not prevent foreclosure.

Senate Bill 809 (S-1) would amend the General Property Tax Act to do the following:

-- Allow a foreclosing governmental unit to withhold from a petition for foreclosure on property on which a payment was made to the local tax collecting unit for taxes levied on the property after the levy of taxes for which the property was subject to foreclosure if the amount paid were greater than the amount needed to redeem the property, a receipt confirming the payment was provided to the foreclosing governmental unit, and the property had not been removed from a petition for foreclosure in the previous year.
-- Allow a foreclosing governmental unit to cancel a foreclosure if it discovered a payment was made to the local tax collecting unit for taxes levied after the levy for taxes for which the property was foreclosed if the conditions listed above were met.

Senate Bill 881 (S-2) would amend the General Property Tax Act to do the following:

-- Eliminate references to "supervisor" in provisions pertaining to a poverty exemption for property tax on a principal residence.
-- Allow a board of review to grant a partial poverty exemption equal to a 75% reduction in taxable value for the tax year in which the exemption was granted.
-- Extend a provision allowing an automatic poverty exemption under certain conditions for the 2021 tax year through the 2022 tax year for properties that were exempt in the 2019, 2020, or 2021 tax year.
-- Specify that, if an exemption were not on the assessment roll and was not denied, the July or December board of review would have to grant a poverty exemption for the immediately preceding tax year on an eligible individual's principal residence.
-- Include in the definition of "qualified error" an exemption as specified above.

Senate Bills 808 (S-1) and 809 (S-1) are tie-barred. Senate Bill 881 (S-2) is tie-barred to Senate Bills 808 and 809.

MCL 211.78b et al. (S.B. 808)
211.78h & 211.78k (S.B. 809)
211.7u & 211.53b (S.B. 881)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

Senate Bills 808 (S-1) and 809 (S-1) would have no fiscal impact on the State and an indeterminate, though likely small, fiscal impact on local governments. The additional information that Senate Bill 808 (S-1) would require to be printed on notices could add some administrative cost that would be absorbed by existing appropriations. Senate Bill 809 (S-1) could reduce administrative and court costs for local units by allowing them to withhold from petitions for foreclosure property that has already had payment made in an amount equal to or greater than the amount necessary to redeem the property. The bill also would allow a local unit to cancel a foreclosure in which payment had been made in an amount equal to or greater than that needed to redeem the property (provided all conditions specified in the bill had been met) which could reduce administrative and court costs. Whether the net fiscal impact to any given local unit was positive or negative would depend on actions taken by the local government and the number of properties that would be affected by these provisions.

Senate Bill 881 (S-2) would have a minimal negative fiscal impact on the State and local governments. The bill's provisions could allow more exemptions to be granted than would otherwise. Any additional exemptions would reduce local property tax revenue and State School Aid Fund revenue from the State Education Tax and would increase the State cost of the foundation allowance, if the per pupil foundation allowance were maintained. The reduction would depend on the taxable value of the exempted property and the millage rates of the affected jurisdictions.

The State does not have up-to-date totals of all property exempted under the poverty exemption, but the Department of Treasury estimates the total value of all of these exemptions statewide to be $6.3 million per year. The bill's proposed changes could increase exemptions by a small fraction of that amount.

Date Completed: 6-2-22 Fiscal Analyst: Ryan Bergan

SAS\Floor\sb808