Legislative Analysis

TAX DELINQUENT COMMERCIAL REAL PROPERTY

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House Bill 4496 as introduced
Sponsor: Rep. Kelly Breen
Committee: Local Government and Municipal Finance
Complete to 4-28-21

SUMMARY:

House Bill 4496 would amend the General Property Tax Act to allow owners of tax delinquent commercial real property to be eligible for tax foreclosure avoidance agreements that are now available only to owners of certain tax delinquent residential property.

Currently under the act, until June 30, 2026, a county treasurer can enter into a tax foreclosure avoidance agreement for a term of up to five years with an owner of ***eligible property*** returned as delinquent or forfeited under the act. The agreement must require regular periodic installment payments of the delinquent taxes, with reduced interest calculated under the act, and the owner must make an initial payment of delinquent taxes in an amount determined by the county treasurer. While the agreement is in effect and the owner is in compliance with it and making timely payment of nondelinquent taxes, the property is withheld or removed from foreclosure.

The act currently defines ***eligible property*** as property classified as residential that is eligible for the principal residence exemption under the act (i.e., generally speaking, it is owned and occupied by a Michigan resident as his or her principal residence).

The bill would add commercial real property as ***eligible property*** for purposes of section 78q of the act, which includes the provisions described above.

MCL 211.78q

FISCAL IMPACT:

As written, the bill is likely to have a small and indeterminate impact on state and local revenues. By allowing for a tax foreclosure avoidance agreement, 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 reducing interest penalties for taxpayers who successfully complete the installment plan. The balance between these two effects cannot be determined in advance with available data.

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