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Release Date: November 16, 2004
Last Update: November 16, 2004

State Tax Commission Bulletin No. 12 of 2004

DATE: October 28, 2004
TO: Assessors Equalization Directors
FROM: State Tax Commission

SUBJECT:

**1) Exemption of Property Owned or Sold
by a Land Bank Fast Track Authority**

**2) Specific Tax Levied Upon Owners of
Eligible Tax Reverted Property**

Public Acts (P.A.) 260 and 261 of 2003 were signed by Governor Granholm on January 5, 2004, with an effective date of January 5, 2004. Copies of these acts are available on the Internet at www.michiganlegislature.org. When you reach the site, click on **Public Acts** and enter the act number and the year **2003**.

P.A. 261 of 2003 provides for an exemption from taxation under the General Property Tax Act for the following:

1. Property whose title is held by a Land Bank Fast Track Authority.
2. Certain property conveyed by a Land Bank Fast Track Authority. This exemption is for a 5-year period.

The provisions of P.A. 261 of 2003 will be discussed in paragraph A of this bulletin.

P.A. 260 of 2003 provides for a specific tax to be levied upon the owners of Eligible Tax Reverted Property. The provisions of P.A. 260 of 2003 will be discussed in paragraph B of this bulletin.

NOTE: There are also 4 other related laws which will not be discussed in this bulletin. They are P.A. 258 of 2003, P.A. 259 of 2003, P.A. 262 of 2003, and P.A. 263 of 2003.

1. P.A. 258 of 2003 (HB 4483) authorizes the creation of Land Bank Fast Track Authorities.
2. P.A. 259 of 2003 (HB 4480) amends the Brownfield Redevelopment Financing Act.
3. P.A. 262 of 2003 (HB 4488) allows the State Treasurer to invest surplus funds in loans to a Land Bank Fast Track Authority or a Brownfield Redevelopment Authority.
4. P.A. 263 of 2003 (HB 4484) amends certain provisions of the General Property Tax Act dealing with notice requirements to delinquent property tax holders.

A) Exemption of Property Owned or Sold by a Land Bank Fast Track Authority.

P.A. 261 of 2003 exempts the following 2 groups of properties from the collection of taxes under the General Property Tax Act, STARTING IN 2005.

NOTE: The exemption for the second group listed below is for a period of 5 years.

1. Real property whose title is held by a Land Bank Fast Track Authority on December 31 of the prior year. 2005 is the first year that property held by a Land Bank Fast Track Authority can qualify to be exempt, provided that the title to the property was held by the Land Bank Fast Track Authority on 12-31-04.

NOTE: Land Bank Fast Track Authorities, generally speaking, are authorized by P.A.258 of 2003 to acquire, quiet title to and dispose of tax-reverted property.

2. **For a period of 5 years**, real property (not including property discussed in the **Exception** below) sold or otherwise conveyed by a Land Bank Fast Track Authority. The 5 year exemption period starts in the assessment year following the year that the property is conveyed by the Land Bank Fast Track Authority and continues for an additional four years after that.

EXCEPTION: The 5-year exemption for property sold or otherwise conveyed by a Land Bank Fast Track Authority does NOT include certain property included in a Brownfield Plan under the Brownfield Redevelopment Financing Act. Property in a Brownfield Plan shall NOT receive the 5-year exemption discussed above if BOTH of the following conditions are satisfied:

(a) The brownfield plan for the property includes assistance provided to a Land Bank Fast Track Authority authorized by section 2(l)(iv)(E) of the brownfield redevelopment financing act, (MCL 125.2652).

AND

(b) If the land bank fast track authority has issued bonds or notes, or has entered into a reimbursement agreement, pledging or dedicating the specific tax levied under the Tax Reverted Property Clean Title Act prior to the sale of the property to which the 5-year exemption applies, the land bank fast track authority approves the release of the 5-year exemption.

B) The Specific Tax Levied Upon Owners of Eligible Tax Reverted Property.

P.A. 260 of 2003 (known as the Tax Reverted Clean Title Act) provides for the levy of a specific tax upon property sold or otherwise conveyed by a Land Bank Fast Track Authority which qualifies for the 5-year exemption discussed earlier in this bulletin. This specific tax is also referenced in P.A. 261 of 2003. The legal name for the tax is the **Eligible Tax Reverted Property Specific Tax**.

NOTE: While the State Tax Commission is not generally authorized to supervise the administration of specific taxes, the following information is being provided as a service to assessors.

IMPORTANT NOTE: The specific tax is not levied upon property still held by the Land Bank Fast Track Authority. It only applies to those properties sold or otherwise conveyed by a Land Bank Fast Track Authority AND exempt from regular property taxes for a 5-year period.

1) Determination of True Cash Value and Taxable Value by the

Assessor.

P.A. 260 of 2003 provides that a Land Bank Fast Track Authority shall provide to the assessor a list of all property sold or otherwise conveyed by the Land Bank Fast Track Authority in that calendar year. P.A. 260 of 2003 provides that this list must be provided no later than December 31 of each year.

P.A. 260 of 2003 further states that the assessor shall determine the true cash value and taxable value of these parcels in the same way that they are determined under the General Property Tax Act. This means that status day for the estimate is December 31 of the prior year. This also means that the same rules for capping and uncapping taxable value apply.

2) Homeowner's Principal Residence Exemption.

The amount of the specific tax in each year is the amount of tax that would have been collected on a parcel under the General Property Tax Act, if that parcel was not exempt. An owner of property subject to the specific tax, where the property is a homeowner's principal residence, may claim an exemption for that portion of the specific tax attributable to up to 18 mills of school operating tax to the extent that the exemption is available to properties assessed on the regular assessment roll. An owner of property subject to the specific tax must claim the homeowner's principal residence exemption in the same way and using the same forms as are required on the regular assessment roll.

3) Collection and Disbursement of the Specific Tax.

a. Collection.

The specific tax levied on certain properties sold or otherwise conveyed by a Land Bank Fast Track Authority is an annual tax, payable at the same times, in the same installments, and to the same officer or officers as taxes imposed under the General Property Tax Act and the State Education Tax Act.

b. Disbursement.

The specific tax shall
be disbursed as
follows:

- i. Fifty percent of the specific tax shall be disbursed to and among the State of Michigan, cities, townships, villages, school districts, counties, or other taxing units, at the same times and in the same proportions as required by law for the disbursement of taxes collected under the General Property

- Tax Act.
- ii. Fifty percent of the specific tax shall be disbursed to the authority that sold or otherwise conveyed the property under the Land Bank Fast Track Act.
 - iii. For intermediate school districts receiving state aid under sections 56, 62, and 81 of the State School Aid Act of 1979, all or a portion of the amount of specific tax that would otherwise be disbursed to an intermediate school district shall be paid to the state treasury to the credit of the state school aid fund. The amount to be paid to the state treasury is to be determined on the basis of the tax rates being utilized to compute the amount of state aid.
 - iv. The amount of specific tax that would otherwise be disbursed to a local school district for school operating purposes shall be paid instead to the state treasury and credited to the state school aid fund.

IMPORTANT NOTE: The officer or officers who make disbursements shall send a copy of the amount of disbursement made to each unit to the State Tax Commission on a form provided by the Commission. This form has not yet been completed. When it is completed, it will be placed on the Internet at www.michigan.gov/treasury. When you reach the site, click on **Forms**, then click on **Property Tax-Abatement/Exemption**.

4) Property Located in a Renaissance Zone.

Property located in a Renaissance Zone is exempt from the specific tax discussed in this bulletin to the extent and for the duration provided pursuant to the Michigan Renaissance Zone Act, 1996 PA 376, MCL 125.2681 to 125.2696, except for that portion of the eligible tax reverted property specific tax attributable to a tax described in section 7ff(2) of the General Property Tax Act. The specific tax calculated under this subsection shall be disbursed proportionately to the taxing unit or units that levied the tax described in section 7ff(2) of the General Property Tax Act, 1893 PA 206, MCL 211.7ff.

5) Unpaid Specific Tax.

If unpaid, specific taxes discussed in this bulletin are not subject to return as delinquent taxes under the General Property Tax Act. The amount of the specific tax applicable to real property, until paid, is a lien upon that real property. Proceedings upon the lien as provided by law for the judicial foreclosure of mortgage liens upon real property may commence after the date that the taxes would have been returned as delinquent under the General Property Tax Act, if the property had not been exempt under the General Property Tax Act and

only upon the filing by the appropriate collecting officer of a certificate of nonpayment of the eligible tax reverted property specific tax applicable to the real property, together with an affidavit of proof of service of the certificate of nonpayment upon the owner of that property by certified mail, with the register of deeds of the county in which the property is situated.

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