

Real Property Tax Foreclosure

Understanding the basics

Real property taxes are levied each year by the local unit of government. Property owners receive property tax bills in the summer and in the winter of each year and must be paid by certain due dates. If the taxes are not paid by mid February for winter tax bills received at the end of the previous year, and mid September for summer tax bills, a late penalty charge will be assessed to the bill. If the taxes are not paid by March 1st following the year of receipt, the property will move into the real property tax foreclosure process as describe below.

Term Definitions:

LEVIED: The imposing or collecting of a tax by a legal authority. <http://definitions.uslegal.com/l/levy/>

DELINQUENT: When an account, taxes, or a debt is past due . <http://definitions.uslegal.com/d/delinquent-tax/>

FORFEITURE: The loss of property to penalize a failure to act in accordance with a legal requirement . www.legislature.mi.gov Section 211.78 (8)(b)

REDEMPTION: To recover ownership of something by paying a specified sum of money. <http://definitions.uslegal.com/r/redemption-right/>

SHOW CAUSE HEARING: A court hearing that allows people with an interest in a property to show cause why the title to the property penalized by the county treasurer should not transfer to the foreclosing governmental unit. <http://definitions.uslegal.com/s/show-cause-order/>

In the first year after the property taxes are due the following will occur:

- ◆ On March 1, unpaid taxes from the preceding year are returned to the county treasurer as delinquent for collection. A 4% administrative fee and non-compounded interest of 1% per month or fraction of a month are added to the delinquency balance.
- ◆ On June 1, the county treasurer will send a delinquency notice by mail to the taxpayer for the delinquent parcel.
- ◆ If the property taxes are not paid by September 1, the county treasurer will send a second delinquency notice to the taxpayer.
- ◆ If the taxes are not paid by October 1, the county treasurer will add a \$15.00 fee onto the delinquency balance.
- ◆ On November 1, the county treasurer prepares a list of all property subject to forfeiture for delinquent taxes.
- ◆ On December 1, the county treasurer updates the taxpayer address based on current local unit records.

Consumer Tip: *Manage your property tax payments through an escrow account with your lender. If you don't have an escrow account, set up a savings account just for the property taxes.*

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Term Definitions - continued:

FGU—Foreclosing Governmental Unit.

In most counties this is the County Treasurer's Office. In some counties this is the State of Michigan.

www.legislature.mi.gov Section 211.78 (8)(a)

PETITION FOR

FORECLOSURE: To begin a court action the foreclosing governmental unit must turn in a request called a petition to the clerk of the circuit court. This petition contains a list of what the FGC wants the judge to do—in this case foreclose on the property. <http://www.legislature.mi.gov/> Section 211.78h

JUDICIAL FORECLOSURE

HEARING: This is a court hearing where the foreclosing governmental unit will ask that the court enter a judgment foreclosing the property as requested in the petition for foreclosure. <http://definitions.uslegal.com/j/judicial-foreclosure/>

PROPERTY TAX FORECLOSURE:

The title to the property transfers to the foreclosing governmental unit. This action is final. Tax foreclosed properties can not be redeemed.

<http://www.legislature.mi.gov/> Section 211.78k (g)

In the second year after the property taxes are due the following will occur:

- ◆ On February 1, the county treasurer will send a notice by certified mail to the taxpayer and, if different, to the owner AND by first class mail to any occupants. The county treasurer may publish notices in a newspaper.
- ◆ On March 1, the delinquent property forfeits to the county treasurer. The county treasurer then adds \$175 title fee to the parcel. An additional interest is computed at a non-compounded rate of ½% per month from March 1 preceding the forfeiture. Redemption of the property requires payment of all the taxes plus all the recording fees and all fees for service of process or notice. If property is not redeemed by owner, the county treasurer records a certificate of forfeiture by April 15th.
- ◆ On May 1 a title search is initiated by the FGU and a personal visit to the property is scheduled and made.
- ◆ June 15th is the deadline for the FGU to file a petition for foreclosure with the circuit court clerk and the clerk shall immediately set the date, time and place for hearing the petition for foreclosure.
- ◆ In December or January, the FGU sends a notice of show cause hearing no less than 30 days before the show cause hearing to the owners of interest. If it is a judicial hearing, the notice will not be less than 7 days prior to the judicial hearing. If the owner's address is in question, the FGU will publish a notice. All interests in all unredeemed parcels are published.

Consumer Tip: *If you are unable to pay your property taxes when they are due, talk with your local taxing authority to see if a payment plan can be set up so taxes are paid over a period of time.*



In the third year after the property taxes are due the following will occur:

- ◆ In January, the FGU will remove any redeemed properties from their list. Then the FGU will file with the court proof of certified mail service of show cause and foreclosure hearings, proof of the personal visit to the property, and proof of publications. At least 7 days prior to the judicial hearing, the FGU holds the administrative show cause hearing.
- ◆ Between January 30 and February 28th, the judicial foreclosure hearings are held. If foreclosure proceeds, by March 30th the circuit court enters the judgment for foreclosure. March 31st is the effective day of judgment WHICH IS THE LAST DAY TO REDEEM THE FORECLOSED PROPERTY.
- ◆ If the property is judicially foreclosed then the property is subject to an auction process between July and November. If the property is not sold, the property can be transferred to the local governmental unit, land bank authority or retained by the FGU.

Resources

Learn more about home ownership, foreclosure prevention and post foreclosure at the Michigan State University Extension websites:

www.MIMoneyHealth.org or at www.msue.msu.edu.

Source: http://michigan.gov/taxes/0,1607,7-238-43535_55601---_00.html; Michigan Taxes, Michigan Department of Treasury, Taxes-Property Tax-Property Tax Forfeiture and Foreclosure, accessed on March 24, 2015.

Source: <http://www.legislature.mi.gov/documents/mcl/pdf/mcl-act-206-of-1893.pdf>. Michigan Legislature, Michigan Property Tax Act, Act 206 of 1893, accessed on March 24, 2015.

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Free financial education is available to assist consumers in understanding the process of building and maintaining their credit.

MSU Extension's

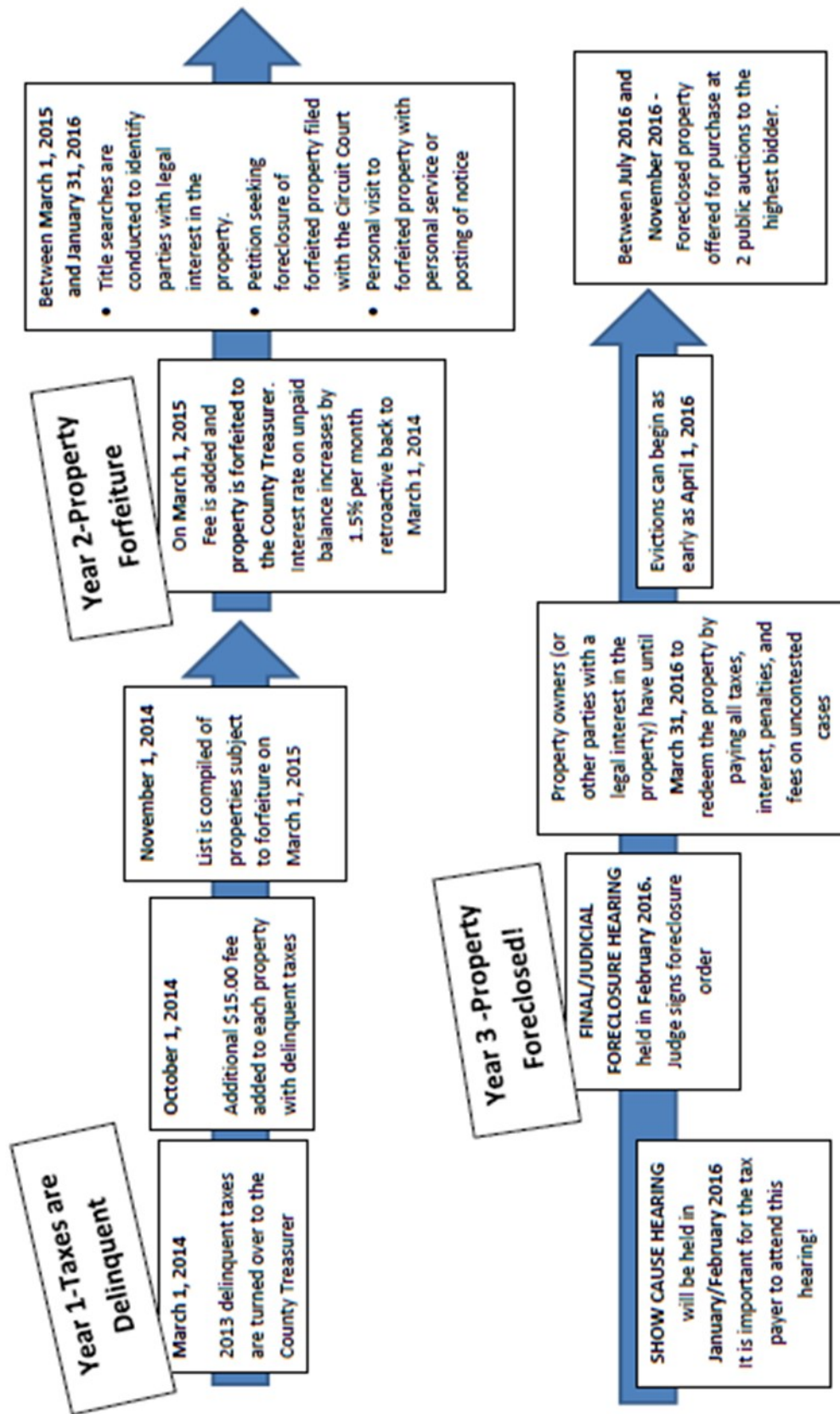
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Michigan Delinquent Property Tax Timeline for 2013 Taxes

(This timeline is valid for any tax year – just adjust for the year taxes became delinquent.)



This timeline is intended to describe in general terms the major elements and deadlines of the State law regarding delinquent property taxes. Additional fees may be added for publication, notices and property visits.