



Real Property Tax Foreclosure

Understanding the Basics

This fact sheet is based on a previous fact sheet written in 2016 by Julie Moberg, MSU Extension educator, and Pam Sarlitto, MSU Extension program instructor. It was updated in 2020 by Brenda Long, MSU Extension educator.

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. They must be paid by certain due dates. A late penalty charge will be assessed to the bill 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. If the taxes are not paid by March 1 following the year of receipt, the property will move into the real property tax foreclosure process as described in this fact sheet.

Term Definitions:

delinquent: When an account, taxes, or a debt is past due (USLegal, n.d.-a).

FGU: Foreclosing Governmental Unit. In most counties, this is the County Treasurer's Office. In some counties, this is the State of Michigan (Michigan Legislature, n.d.-a).



forfeiture: The loss of property to penalize a failure to act in accordance with a legal requirement (Michigan Legislature, n.d.-b).

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 (USLegal, n.d.-b).

levy: Imposing or collecting a tax by a legal authority (USLegal, n.d.-c).

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 FGU wants the judge to do—in this case foreclose on the property (Michigan Legislature, n.d.-c).



property tax foreclosure: The title to the property transfers to the foreclosing governmental unit. This action is final. Tax foreclosed properties cannot be redeemed (Michigan Legislature, n.d.-d).

redemption: To recover ownership of something by paying a specified sum of money (USLegal, n.d.-d).

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 (USLegal, n.d.-e).

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 noncompounded 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 taxes are not paid by October 1, the county treasurer will add a \$15 fee on to 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.*



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 a \$175 title fee to the parcel. An additional interest is computed at a noncompounded 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 the property is not redeemed by the owner, the county treasurer records a certificate of forfeiture by April 15.
- On May 1, a title search is initiated by the FGU, and a personal visit to the property is scheduled and made.
- June 15 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: *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.*

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

- In January, the FGU will remove any redeemed properties from its 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 28, the judicial foreclosure hearings are held. If foreclosure proceeds, by March 30 the circuit court enters the judgment for foreclosure. March 31 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 or land bank authority, or retained by the FGU.

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 you can pay your taxes over a period of time.*

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.

References

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- USLegal (n.d.-b). *Judicial Foreclosure Law and Legal Definition*
- USLegal (n.d.-c). *Levy law and legal definition.*



USLegal (n.d.-d). *Redemption right law and legal definition.*

USLegal (n.d.-e). *Show cause order law and legal definition.*

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

To find a local Michigan State University Extension educator's contact information, go to <https://www.canr.msu.edu/mimoneyhealth/contact>.

To view MSUE Michigan District Offices Map, go to <https://www.canr.msu.edu/outreach/uploads/2018-files/2018%20MSUE%20Map%208.5x11.pdf>