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BILL ANALYSIS

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Senate Bill 368 (Substitute S-1)
Sponsor: Senator Wayne Kuipers
Committee: Finance

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CONTENT

The bill would amend the General Property Tax Act to do the following:

-- Create a one-year tax exemption for new construction on development property (the site of a never-occupied dwelling), for taxes levied during 2011 and 2012.
-- Establish a process for an owner to claim the exemption.
-- Allow an owner to file an appeal with the board of review if a claimed exemption were not on the tax roll, or if an exemption were denied.
-- Allow an assessor to deny or modify an exemption if he or she believed it had been granted for new construction that was not on development property.
-- Allow an owner to request the withdrawal of an erroneously granted exemption.
-- Waive a penalty and interest if an owner requested an exemption to be withdrawn before being contacted by the assessor, and paid a corrected tax bill within 30 days after it was issued.

Specifically, for taxes levied after December 31, 2010, and before January 1, 2013, new construction on development property would be exempt from the collection of taxes under the Act. "Development property" would mean real property on which a residential dwelling is located, which dwelling is not and has never been occupied. "New construction" would mean that term as defined in Section 34d of the Act (property not in existence on the immediately preceding tax day and not replacement property).

To claim an exemption, an owner of development property would have to file an affidavit with the local tax collecting unit by May 1. Upon receiving the affidavit, the assessor would have to determine if the real property on which new construction was located was development property. If the real property were development property, the assessor would have to exempt the new construction from the collection of taxes for one year.

An owner of new construction located on development property on May 1 for which an exemption was not on the tax roll could file an appeal with the July or December board of review in the year the exemption was claimed or the following year. An owner of new construction on development property on May 1 for which an exemption was denied by the assessor in the year the affidavit was filed, could file an appeal with the July board of review for summer taxes or, if there were no summer tax levy of school operating taxes, with the December board of review.

If the assessor believed that new construction for which an exemption had been granted was not located on development property, the assessor could deny or modify an existing exemption by giving the owner written notice at the time for providing a notice under Section 24c. A taxpayer could appeal the assessor's determination to the board of review meeting under Section 30. A decision of the board of review could be appealed to the Residential and Small Claims Division of the Michigan Tax Tribunal. (Section 24c requires an assessor to give a property owner notice of an increase in tentative State equalized valuation or taxable value at least 10 days before the meeting of the board of review. Section 30 requires a board of review to meet at least 12 hours during the week of the second Monday in March to hear protests.)

If an exemption were erroneously granted, an owner could make a written request that the local tax collecting unit withdraw the exemption. If an owner did so, the local assessor would have to notify the owner that the exemption had been denied based on the owner's request. If an exemption were withdrawn, the new construction that had been subject to the exemption would have to be placed on the tax roll immediately by the local tax collecting unit or the county treasurer, depending on which had possession of the tax roll, as though the exemption had not been granted. A corrected tax bill would have to be issued for the tax year.

If an owner requested an exemption to be withdrawn before he or she was contacted in writing by the local assessor regarding the owner's eligibility for the exemption, and the owner paid the corrected tax bill within 30 days after it was issued, he or she would not be liable for any penalty or interest on the additional tax. If an owner paid a corrected tax bill more than 30 days after it was issued, he or she would be liable for the penalties and interest that would have accrued if the exemption had not been granted from the date the taxes were originally levied.

Proposed MCL 211.7oo

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FISCAL IMPACT

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