



Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5168 (Substitute H-3 as passed by the House)
Sponsor: Representative Chris Ward
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 12-2-03

CONTENT

The bill would amend the General Property Tax Act to change the deadline for filing a claim for a principal residence exemption, or an exemption for qualified agricultural property, from December 31 to May 1 each year. (This change would return the deadline to its original date, as noted in **BACKGROUND**.)

In addition, an exemption may be denied if a person takes various actions described in the Act, such as claiming a similar exemption in another state. Under the bill, a person also would not be entitled to an exemption if he or she had previously rescinded an exemption for the same property for which an exemption was being claimed and ownership of the property had not been transferred after the previous exemption was rescinded. This would apply only if either of the following conditions were met:

- That person had claimed an exemption for any other property for that tax year.
- That person had rescinded an exemption on other property, that exemption remained in effect for that tax year, and ownership of the property had not been transferred.

Under the Act, if a claim for exemption is denied and a corrected or supplemental tax bill is issued, interest begins to accrue at a rate of 1.25% per month after a certain period of time (usually 30 to 60 days after the tax bill is issued). The bill specifies that the interest would apply per month or fraction of a month.

BACKGROUND

Under the Revised School Code, school districts may levy up to 18 mills on property for local school operating taxes. Under the General Property Tax Act, taxpayers who own and occupy a principal residence may receive an exemption from the taxes by filing an exemption affidavit with the local tax collecting unit. Once an exemption is in place, it remains until the property is transferred or ceases to be a homestead. A person may claim only one homestead exemption, and a husband and wife who file a joint Michigan income tax return are entitled to only one exemption.

Public Act 105 of 2003 (Senate Bill 520, effective July 24, 2003) amended the General Property Tax Act to provide for the auditing of exemptions in order to identify those who illegally claim an exemption. In addition to making several other changes, Public Act 105 moved the exemption affidavit filing deadline from May 1 to December 31.

MCL 211.7cc et al.

Legislative Analyst: George Towne

FISCAL IMPACT

The provisions in the bill that would add to the exclusions for principal residence exemptions and allow penalties and interest to be assessed for a partial month would minimally increase both State and local unit revenues by an unknown amount.

Fiscal Analyst: David Zin