

# SENATE BILL No. 1274

April 22, 2008, Introduced by Senators OLSHOVE, JACOBS, SCOTT, CHERRY, ANDERSON, THOMAS, PRUSI and SCHAUER and referred to the Committee on Finance.

A bill to amend 1893 PA 206, entitled  
"The general property tax act,"  
by amending section 7cc (MCL 211.7cc), as amended by 2006 PA 664.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 7cc. (1) A principal residence is exempt from the tax  
2       levied by a local school district for school operating purposes to  
3       the extent provided under section 1211 of the revised school code,  
4       1976 PA 451, MCL 380.1211, if an owner of that principal residence  
5       claims an exemption as provided in this section. Notwithstanding  
6       the tax day provided in section 2, the status of property as a  
7       principal residence shall be determined on the date an affidavit  
8       claiming an exemption is filed under subsection (2).

9       (2) An owner of property may claim an exemption under this

1 section by filing an affidavit on or before May 1 with the local  
2 tax collecting unit in which the property is located. **AN OWNER OF**  
3 **PROPERTY WHO IS ABSENT FROM HIS OR HER PRINCIPAL RESIDENCE WHILE**  
4 **UNDER THE CARE OF ANOTHER PERSON MAY CLAIM AN EXEMPTION UNDER THIS**  
5 **SECTION FOR HIS OR HER PRINCIPAL RESIDENCE IF THAT OWNER DOES NOT**  
6 **CLAIM AN EXEMPTION FOR OTHER PROPERTY UNDER THIS SECTION, DOES NOT**  
7 **RENT HIS OR HER PRINCIPAL RESIDENCE FOR MORE THAN 2 WEEKS PER YEAR,**  
8 **AND FILES THE AFFIDAVIT REQUIRED UNDER THIS SECTION.** The affidavit  
9 shall state that the property is owned and occupied as a principal  
10 residence by that owner of the property on the date that the  
11 affidavit is signed. The affidavit shall be on a form prescribed by  
12 the department of treasury. One copy of the affidavit shall be  
13 retained by the owner, 1 copy shall be retained by the local tax  
14 collecting unit until any appeal or audit period under this act has  
15 expired, and 1 copy shall be forwarded to the department of  
16 treasury pursuant to subsection (4), together with all information  
17 submitted under subsection (26) for a cooperative housing  
18 corporation. The affidavit shall require the owner claiming the  
19 exemption to indicate if that owner or that owner's spouse has  
20 claimed another exemption on property in this state that is not  
21 rescinded or a substantially similar exemption, deduction, or  
22 credit on property in another state that is not rescinded. If the  
23 affidavit requires an owner to include a social security number,  
24 that owner's number is subject to the disclosure restrictions in  
25 1941 PA 122, MCL 205.1 to 205.31. If an owner of property filed an  
26 affidavit for an exemption under this section before January 1,  
27 2004, that affidavit shall be considered the affidavit required

1 under this subsection for a principal residence exemption and that  
2 exemption shall remain in effect until rescinded as provided in  
3 this section.

4 (3) A husband and wife who are required to file or who do file  
5 a joint Michigan income tax return are entitled to not more than 1  
6 exemption under this section. For taxes levied after December 31,  
7 2002, a person is not entitled to an exemption under this section  
8 if any of the following conditions occur:

9 (a) That person has claimed a substantially similar exemption,  
10 deduction, or credit on property in another state that is not  
11 rescinded.

12 (b) Subject to subdivision (a), that person or his or her  
13 spouse owns property in a state other than this state for which  
14 that person or his or her spouse claims an exemption, deduction, or  
15 credit substantially similar to the exemption provided under this  
16 section, unless that person and his or her spouse file separate  
17 income tax returns.

18 (c) That person has filed a nonresident Michigan income tax  
19 return, except active duty military personnel stationed in this  
20 state with his or her principal residence in this state.

21 (d) That person has filed an income tax return in a state  
22 other than this state as a resident, except active duty military  
23 personnel stationed in this state with his or her principal  
24 residence in this state.

25 (e) That person has previously rescinded an exemption under  
26 this section for the same property for which an exemption is now  
27 claimed and there has not been a transfer of ownership of that

1 property after the previous exemption was rescinded, if either of  
2 the following conditions is satisfied:

3 (i) That person has claimed an exemption under this section for  
4 any other property for that tax year.

5 (ii) That person has rescinded an exemption under this section  
6 on other property, which exemption remains in effect for that tax  
7 year, and there has not been a transfer of ownership of that  
8 property.

9 (4) Upon receipt of an affidavit filed under subsection (2)  
10 and unless the claim is denied under this section, the assessor  
11 shall exempt the property from the collection of the tax levied by  
12 a local school district for school operating purposes to the extent  
13 provided under section 1211 of the revised school code, 1976 PA  
14 451, MCL 380.1211, as provided in subsection (1) until December 31  
15 of the year in which the property is transferred or is no longer a  
16 principal residence as defined in section 7dd. The local tax  
17 collecting unit shall forward copies of affidavits to the  
18 department of treasury according to a schedule prescribed by the  
19 department of treasury.

20 (5) Not more than 90 days after exempted property is no longer  
21 used as a principal residence by the owner claiming an exemption,  
22 that owner shall rescind the claim of exemption by filing with the  
23 local tax collecting unit a rescission form prescribed by the  
24 department of treasury. An owner who fails to file a rescission as  
25 required by this subsection is subject to a penalty of \$5.00 per  
26 day for each separate failure beginning after the 90 days have  
27 elapsed, up to a maximum of \$200.00. This penalty shall be

1 collected under 1941 PA 122, MCL 205.1 to 205.31, and shall be  
2 deposited in the state school aid fund established in section 11 of  
3 article IX of the state constitution of 1963. This penalty may be  
4 waived by the department of treasury.

5 (6) If the assessor of the local tax collecting unit believes  
6 that the property for which an exemption is claimed is not the  
7 principal residence of the owner claiming the exemption, the  
8 assessor may deny a new or existing claim by notifying the owner  
9 and the department of treasury in writing of the reason for the  
10 denial and advising the owner that the denial may be appealed to  
11 the residential and small claims division of the Michigan tax  
12 tribunal within 35 days after the date of the notice. The assessor  
13 may deny a claim for exemption for the current year and for the 3  
14 immediately preceding calendar years. If the assessor denies an  
15 existing claim for exemption, the assessor shall remove the  
16 exemption of the property and, if the tax roll is in the local tax  
17 collecting unit's possession, amend the tax roll to reflect the  
18 denial and the local treasurer shall within 30 days of the date of  
19 the denial issue a corrected tax bill for any additional taxes with  
20 interest at the rate of 1.25% per month or fraction of a month and  
21 penalties computed from the date the taxes were last payable  
22 without interest or penalty. If the tax roll is in the county  
23 treasurer's possession, the tax roll shall be amended to reflect  
24 the denial and the county treasurer shall within 30 days of the  
25 date of the denial prepare and submit a supplemental tax bill for  
26 any additional taxes, together with interest at the rate of 1.25%  
27 per month or fraction of a month and penalties computed from the

1 date the taxes were last payable without interest or penalty.  
2 Interest on any tax set forth in a corrected or supplemental tax  
3 bill shall again begin to accrue 60 days after the date the  
4 corrected or supplemental tax bill is issued at the rate of 1.25%  
5 per month or fraction of a month. Taxes levied in a corrected or  
6 supplemental tax bill shall be returned as delinquent on the March  
7 1 in the year immediately succeeding the year in which the  
8 corrected or supplemental tax bill is issued. If the assessor  
9 denies an existing claim for exemption, the interest due shall be  
10 distributed as provided in subsection (23). However, if the  
11 property has been transferred to a bona fide purchaser before  
12 additional taxes were billed to the seller as a result of the  
13 denial of a claim for exemption, the taxes, interest, and penalties  
14 shall not be a lien on the property and shall not be billed to the  
15 bona fide purchaser, and the local tax collecting unit if the local  
16 tax collecting unit has possession of the tax roll or the county  
17 treasurer if the county has possession of the tax roll shall notify  
18 the department of treasury of the amount of tax due, interest, and  
19 penalties through the date of that notification. The department of  
20 treasury shall then assess the owner who claimed the exemption  
21 under this section for the tax, interest, and penalties accruing as  
22 a result of the denial of the claim for exemption, if any, as for  
23 unpaid taxes provided under 1941 PA 122, MCL 205.1 to 205.31, and  
24 shall deposit any tax or penalty collected into the state school  
25 aid fund and shall distribute any interest collected as provided in  
26 subsection (23). The denial shall be made on a form prescribed by  
27 the department of treasury. If the property for which the assessor

1 has denied a claim for exemption under this subsection is located  
2 in a county in which the county treasurer or the county  
3 equalization director have elected to audit exemptions under  
4 subsection (10), the assessor shall notify the county treasurer or  
5 the county equalization director of the denial under this  
6 subsection.

7 (7) If the assessor of the local tax collecting unit believes  
8 that the property for which the exemption is claimed is not the  
9 principal residence of the owner claiming the exemption and has not  
10 denied the claim, the assessor shall include a recommendation for  
11 denial with any affidavit that is forwarded to the department of  
12 treasury or, for an existing claim, shall send a recommendation for  
13 denial to the department of treasury, stating the reasons for the  
14 recommendation.

15 (8) The department of treasury shall determine if the property  
16 is the principal residence of the owner claiming the exemption. The  
17 department of treasury may review the validity of exemptions for  
18 the current calendar year and for the 3 immediately preceding  
19 calendar years. If the department of treasury determines that the  
20 property is not the principal residence of the owner claiming the  
21 exemption, the department shall send a notice of that determination  
22 to the local tax collecting unit and to the owner of the property  
23 claiming the exemption, indicating that the claim for exemption is  
24 denied, stating the reason for the denial, and advising the owner  
25 claiming the exemption of the right to appeal the determination to  
26 the department of treasury and what those rights of appeal are. The  
27 department of treasury may issue a notice denying a claim if an

1 owner fails to respond within 30 days of receipt of a request for  
2 information from that department. An owner may appeal the denial of  
3 a claim of exemption to the department of treasury within 35 days  
4 of receipt of the notice of denial. An appeal to the department of  
5 treasury shall be conducted according to the provisions for an  
6 informal conference in section 21 of 1941 PA 122, MCL 205.21.  
7 Within 10 days after acknowledging an appeal of a denial of a claim  
8 of exemption, the department of treasury shall notify the assessor  
9 and the treasurer for the county in which the property is located  
10 that an appeal has been filed. Upon receipt of a notice that the  
11 department of treasury has denied a claim for exemption, the  
12 assessor shall remove the exemption of the property and, if the tax  
13 roll is in the local tax collecting unit's possession, amend the  
14 tax roll to reflect the denial and the local treasurer shall within  
15 30 days of the date of the denial issue a corrected tax bill for  
16 any additional taxes with interest at the rate of 1.25% per month  
17 or fraction of a month and penalties computed from the date the  
18 taxes were last payable without interest and penalty. If the tax  
19 roll is in the county treasurer's possession, the tax roll shall be  
20 amended to reflect the denial and the county treasurer shall within  
21 30 days of the date of the denial prepare and submit a supplemental  
22 tax bill for any additional taxes, together with interest at the  
23 rate of 1.25% per month or fraction of a month and penalties  
24 computed from the date the taxes were last payable without interest  
25 or penalty. Interest on any tax set forth in a corrected or  
26 supplemental tax bill shall again begin to accrue 60 days after the  
27 date the corrected or supplemental tax bill is issued at the rate



1 of 1.25% per month or fraction of a month. Taxes levied in a  
2 corrected or supplemental tax bill shall be returned as delinquent  
3 on the March 1 in the year immediately succeeding the year in which  
4 the corrected or supplemental tax bill is issued. If the department  
5 of treasury denies an existing claim for exemption, the interest  
6 due shall be distributed as provided in subsection (23). However,  
7 if the property has been transferred to a bona fide purchaser  
8 before additional taxes were billed to the seller as a result of  
9 the denial of a claim for exemption, the taxes, interest, and  
10 penalties shall not be a lien on the property and shall not be  
11 billed to the bona fide purchaser, and the local tax collecting  
12 unit if the local tax collecting unit has possession of the tax  
13 roll or the county treasurer if the county has possession of the  
14 tax roll shall notify the department of treasury of the amount of  
15 tax due and interest through the date of that notification. The  
16 department of treasury shall then assess the owner who claimed the  
17 exemption under this section for the tax and interest plus penalty  
18 accruing as a result of the denial of the claim for exemption, if  
19 any, as for unpaid taxes provided under 1941 PA 122, MCL 205.1 to  
20 205.31, and shall deposit any tax or penalty collected into the  
21 state school aid fund and shall distribute any interest collected  
22 as provided in subsection (23).

23 (9) The department of treasury may enter into an agreement  
24 regarding the implementation or administration of subsection (8)  
25 with the assessor of any local tax collecting unit in a county that  
26 has not elected to audit exemptions claimed under this section as  
27 provided in subsection (10). The agreement may specify that for a

1 period of time, not to exceed 120 days, the department of treasury  
2 will not deny an exemption identified by the department of treasury  
3 in the list provided under subsection (11).

4 (10) A county may elect to audit the exemptions claimed under  
5 this section in all local tax collecting units located in that  
6 county as provided in this subsection. The election to audit  
7 exemptions shall be made by the county treasurer, or by the county  
8 equalization director with the concurrence by resolution of the  
9 county board of commissioners. The initial election to audit  
10 exemptions shall require an audit period of 2 years. Subsequent  
11 elections to audit exemptions shall be made every 2 years and shall  
12 require 2 annual audit periods. An election to audit exemptions  
13 shall be made by submitting an election to audit form to the  
14 assessor of each local tax collecting unit in that county and to  
15 the department of treasury not later than October 1 in the year in  
16 which an election to audit is made. The election to audit form  
17 required under this subsection shall be in a form prescribed by the  
18 department of treasury. If a county elects to audit the exemptions  
19 claimed under this section, the department of treasury may continue  
20 to review the validity of exemptions as provided in subsection (8).  
21 If a county does not elect to audit the exemptions claimed under  
22 this section as provided in this subsection, the department of  
23 treasury shall conduct an audit of exemptions claimed under this  
24 section in the initial 2-year audit period for each local tax  
25 collecting unit in that county unless the department of treasury  
26 has entered into an agreement with the assessor for that local tax  
27 collecting unit under subsection (9).

1           (11) If a county elects to audit the exemptions claimed under  
2 this section as provided in subsection (10) and the county  
3 treasurer or his or her designee or the county equalization  
4 director or his or her designee believes that the property for  
5 which an exemption is claimed is not the principal residence of the  
6 owner claiming the exemption, the county treasurer or his or her  
7 designee or the county equalization director or his or her designee  
8 may deny an existing claim by notifying the owner, the assessor of  
9 the local tax collecting unit, and the department of treasury in  
10 writing of the reason for the denial and advising the owner that  
11 the denial may be appealed to the residential and small claims  
12 division of the Michigan tax tribunal within 35 days after the date  
13 of the notice. The county treasurer or his or her designee or the  
14 county equalization director or his or her designee may deny a  
15 claim for exemption for the current year and for the 3 immediately  
16 preceding calendar years. If the county treasurer or his or her  
17 designee or the county equalization director or his or her designee  
18 denies an existing claim for exemption, the county treasurer or his  
19 or her designee or the county equalization director or his or her  
20 designee shall direct the assessor of the local tax collecting unit  
21 in which the property is located to remove the exemption of the  
22 property from the assessment roll and, if the tax roll is in the  
23 local tax collecting unit's possession, direct the assessor of the  
24 local tax collecting unit to amend the tax roll to reflect the  
25 denial and the treasurer of the local tax collecting unit shall  
26 within 30 days of the date of the denial issue a corrected tax bill  
27 for any additional taxes with interest at the rate of 1.25% per

1 month or fraction of a month and penalties computed from the date  
2 the taxes were last payable without interest and penalty. If the  
3 tax roll is in the county treasurer's possession, the tax roll  
4 shall be amended to reflect the denial and the county treasurer  
5 shall within 30 days of the date of the denial prepare and submit a  
6 supplemental tax bill for any additional taxes, together with  
7 interest at the rate of 1.25% per month or fraction of a month and  
8 penalties computed from the date the taxes were last payable  
9 without interest or penalty. Interest on any tax set forth in a  
10 corrected or supplemental tax bill shall again begin to accrue 60  
11 days after the date the corrected or supplemental tax bill is  
12 issued at the rate of 1.25% per month or fraction of a month. Taxes  
13 levied in a corrected or supplemental tax bill shall be returned as  
14 delinquent on the March 1 in the year immediately succeeding the  
15 year in which the corrected or supplemental tax bill is issued. If  
16 the county treasurer or his or her designee or the county  
17 equalization director or his or her designee denies an existing  
18 claim for exemption, the interest due shall be distributed as  
19 provided in subsection (23). However, if the property has been  
20 transferred to a bona fide purchaser before additional taxes were  
21 billed to the seller as a result of the denial of a claim for  
22 exemption, the taxes, interest, and penalties shall not be a lien  
23 on the property and shall not be billed to the bona fide purchaser,  
24 and the local tax collecting unit if the local tax collecting unit  
25 has possession of the tax roll or the county treasurer if the  
26 county has possession of the tax roll shall notify the department  
27 of treasury of the amount of tax due and interest through the date

1 of that notification. The department of treasury shall then assess  
2 the owner who claimed the exemption under this section for the tax  
3 and interest plus penalty accruing as a result of the denial of the  
4 claim for exemption, if any, as for unpaid taxes provided under  
5 1941 PA 122, MCL 205.1 to 205.31, and shall deposit any tax or  
6 penalty collected into the state school aid fund and shall  
7 distribute any interest collected as provided in subsection (23).  
8 The department of treasury shall annually provide the county  
9 treasurer or his or her designee or the county equalization  
10 director or his or her designee a list of parcels of property  
11 located in that county for which an exemption may be erroneously  
12 claimed. The county treasurer or his or her designee or the county  
13 equalization director or his or her designee shall forward copies  
14 of the list provided by the department of treasury to each assessor  
15 in each local tax collecting unit in that county within 10 days of  
16 receiving the list.

17 (12) If a county elects to audit exemptions claimed under this  
18 section as provided in subsection (10), the county treasurer or the  
19 county equalization director may enter into an agreement with the  
20 assessor of a local tax collecting unit in that county regarding  
21 the implementation or administration of this section. The agreement  
22 may specify that for a period of time, not to exceed 120 days, the  
23 county will not deny an exemption identified by the department of  
24 treasury in the list provided under subsection (11).

25 (13) An owner may appeal a denial by the assessor of the local  
26 tax collecting unit under subsection (6), a final decision of the  
27 department of treasury under subsection (8), or a denial by the

1 county treasurer or his or her designee or the county equalization  
2 director or his or her designee under subsection (11) to the  
3 residential and small claims division of the Michigan tax tribunal  
4 within 35 days of that decision. An owner is not required to pay  
5 the amount of tax in dispute in order to appeal a denial of a claim  
6 of exemption to the department of treasury or to receive a final  
7 determination of the residential and small claims division of the  
8 Michigan tax tribunal. However, interest at the rate of 1.25% per  
9 month or fraction of a month and penalties shall accrue and be  
10 computed from the date the taxes were last payable without interest  
11 and penalty. If the residential and small claims division of the  
12 Michigan tax tribunal grants an owner's appeal of a denial and that  
13 owner has paid the interest due as a result of a denial under  
14 subsection (6), (8), or (11), the interest received after a  
15 distribution was made under subsection (23) shall be refunded.

16 (14) For taxes levied after December 31, 2005, for each county  
17 in which the county treasurer or the county equalization director  
18 does not elect to audit the exemptions claimed under this section  
19 as provided in subsection (10), the department of treasury shall  
20 conduct an annual audit of exemptions claimed under this section  
21 for the current calendar year.

22 (15) An affidavit filed by an owner for the exemption under  
23 this section rescinds all previous exemptions filed by that owner  
24 for any other property. The department of treasury shall notify the  
25 assessor of the local tax collecting unit in which the property for  
26 which a previous exemption was claimed is located that the previous  
27 exemption is rescinded by the subsequent affidavit. When an

1 exemption is rescinded, the assessor of the local tax collecting  
2 unit shall remove the exemption effective December 31 of the year  
3 in which the affidavit was filed that rescinded the exemption. For  
4 any year for which the rescinded exemption has not been removed  
5 from the tax roll, the exemption shall be denied as provided in  
6 this section. However, interest and penalty shall not be imposed  
7 for a year for which a rescission form has been timely filed under  
8 subsection (5).

9 (16) Except as otherwise provided in subsection (28), if the  
10 principal residence is part of a unit in a multiple-unit dwelling  
11 or a dwelling unit in a multiple-purpose structure, an owner shall  
12 claim an exemption for only that portion of the total taxable value  
13 of the property used as the principal residence of that owner in a  
14 manner prescribed by the department of treasury. If a portion of a  
15 parcel for which the owner claims an exemption is used for a  
16 purpose other than as a principal residence, the owner shall claim  
17 an exemption for only that portion of the taxable value of the  
18 property used as the principal residence of that owner in a manner  
19 prescribed by the department of treasury.

20 (17) When a county register of deeds records a transfer of  
21 ownership of a property, he or she shall notify the local tax  
22 collecting unit in which the property is located of the transfer.

23 (18) The department of treasury shall make available the  
24 affidavit forms and the forms to rescind an exemption, which may be  
25 on the same form, to all city and township assessors, county  
26 equalization officers, county registers of deeds, and closing  
27 agents. A person who prepares a closing statement for the sale of

1 property shall provide affidavit and rescission forms to the buyer  
2 and seller at the closing and, if requested by the buyer or seller  
3 after execution by the buyer or seller, shall file the forms with  
4 the local tax collecting unit in which the property is located. If  
5 a closing statement preparer fails to provide exemption affidavit  
6 and rescission forms to the buyer and seller, or fails to file the  
7 affidavit and rescission forms with the local tax collecting unit  
8 if requested by the buyer or seller, the buyer may appeal to the  
9 department of treasury within 30 days of notice to the buyer that  
10 an exemption was not recorded. If the department of treasury  
11 determines that the buyer qualifies for the exemption, the  
12 department of treasury shall notify the assessor of the local tax  
13 collecting unit that the exemption is granted and the assessor of  
14 the local tax collecting unit or, if the tax roll is in the  
15 possession of the county treasurer, the county treasurer shall  
16 correct the tax roll to reflect the exemption. This subsection does  
17 not create a cause of action at law or in equity against a closing  
18 statement preparer who fails to provide exemption affidavit and  
19 rescission forms to a buyer and seller or who fails to file the  
20 affidavit and rescission forms with the local tax collecting unit  
21 when requested to do so by the buyer or seller.

22 (19) An owner who owned and occupied a principal residence on  
23 May 1 for which the exemption was not on the tax roll may file an  
24 appeal with the July board of review or December board of review in  
25 the year for which the exemption was claimed or the immediately  
26 succeeding 3 years. If an appeal of a claim for exemption that was  
27 not on the tax roll is received not later than 5 days prior to the



1 date of the December board of review, the local tax collecting unit  
2 shall convene a December board of review and consider the appeal  
3 pursuant to this section and section 53b.

4 (20) If the assessor or treasurer of the local tax collecting  
5 unit believes that the department of treasury erroneously denied a  
6 claim for exemption, the assessor or treasurer may submit written  
7 information supporting the owner's claim for exemption to the  
8 department of treasury within 35 days of the owner's receipt of the  
9 notice denying the claim for exemption. If, after reviewing the  
10 information provided, the department of treasury determines that  
11 the claim for exemption was erroneously denied, the department of  
12 treasury shall grant the exemption and the tax roll shall be  
13 amended to reflect the exemption.

14 (21) If granting the exemption under this section results in  
15 an overpayment of the tax, a rebate, including any interest paid,  
16 shall be made to the taxpayer by the local tax collecting unit if  
17 the local tax collecting unit has possession of the tax roll or by  
18 the county treasurer if the county has possession of the tax roll  
19 within 30 days of the date the exemption is granted. The rebate  
20 shall be without interest.

21 (22) If an exemption under this section is erroneously granted  
22 for an affidavit filed before October 1, 2003, an owner may request  
23 in writing that the department of treasury withdraw the exemption.  
24 The request to withdraw the exemption shall be received not later  
25 than November 1, 2003. If an owner requests that an exemption be  
26 withdrawn, the department of treasury shall issue an order  
27 notifying the local assessor that the exemption issued under this

1 section has been denied based on the owner's request. If an  
2 exemption is withdrawn, the property that had been subject to that  
3 exemption shall be immediately placed on the tax roll by the local  
4 tax collecting unit if the local tax collecting unit has possession  
5 of the tax roll or by the county treasurer if the county has  
6 possession of the tax roll as though the exemption had not been  
7 granted. A corrected tax bill shall be issued for the tax year  
8 being adjusted by the local tax collecting unit if the local tax  
9 collecting unit has possession of the tax roll or by the county  
10 treasurer if the county has possession of the tax roll. Unless a  
11 denial has been issued prior to July 1, 2003, if an owner requests  
12 that an exemption under this section be withdrawn and that owner  
13 pays the corrected tax bill issued under this subsection within 30  
14 days after the corrected tax bill is issued, that owner is not  
15 liable for any penalty or interest on the additional tax. An owner  
16 who pays a corrected tax bill issued under this subsection more  
17 than 30 days after the corrected tax bill is issued is liable for  
18 the penalties and interest that would have accrued if the exemption  
19 had not been granted from the date the taxes were originally  
20 levied.

21 (23) Subject to subsection (24), interest at the rate of 1.25%  
22 per month or fraction of a month collected under subsection (6),  
23 (8), or (11) shall be distributed as follows:

24 (a) If the assessor of the local tax collecting unit denies  
25 the exemption under this section, as follows:

26 (i) To the local tax collecting unit, 70%.

27 (ii) To the department of treasury, 10%.

1 (iii) To the county in which the property is located, 20%.

2 (b) If the department of treasury denies the exemption under  
3 this section, as follows:

4 (i) To the local tax collecting unit, 20%.

5 (ii) To the department of treasury, 70%.

6 (iii) To the county in which the property is located, 10%.

7 (c) If the county treasurer or his or her designee or the  
8 county equalization director or his or her designee denies the  
9 exemption under this section, as follows:

10 (i) To the local tax collecting unit, 20%.

11 (ii) To the department of treasury, 10%.

12 (iii) To the county in which the property is located, 70%.

13 (24) Interest distributed under subsection (23) is subject to  
14 the following conditions:

15 (a) Interest distributed to a county shall be deposited into a  
16 restricted fund to be used solely for the administration of  
17 exemptions under this section. Money in that restricted fund shall  
18 lapse to the county general fund on the December 31 in the year 3  
19 years after the first distribution of interest to the county under  
20 subsection (23) and on each succeeding December 31 thereafter.

21 (b) Interest distributed to the department of treasury shall  
22 be deposited into the principal residence property tax exemption  
23 audit fund, which is created within the state treasury. The state  
24 treasurer may receive money or other assets from any source for  
25 deposit into the fund. The state treasurer shall direct the  
26 investment of the fund. The state treasurer shall credit to the  
27 fund interest and earnings from fund investments. Money in the fund

1 shall be considered a work project account and at the close of the  
2 fiscal year shall remain in the fund and shall not lapse to the  
3 general fund. Money from the fund shall be expended, upon  
4 appropriation, only for the purpose of auditing exemption  
5 affidavits.

6 (25) Interest distributed under subsection (23) is in addition  
7 to and shall not affect the levy or collection of the county  
8 property tax administration fee established under this act.

9 (26) A cooperative housing corporation is entitled to a full  
10 or partial exemption under this section for the tax year in which  
11 the cooperative housing corporation files all of the following with  
12 the local tax collecting unit in which the cooperative housing  
13 corporation is located if filed on or before May 1:

14 (a) An affidavit form.

15 (b) A statement of the total number of units owned by the  
16 cooperative housing corporation and occupied as the principal  
17 residence of a tenant stockholder as of the date of the filing  
18 under this subsection.

19 (c) A list that includes the name, address, and social  
20 security number of each tenant stockholder of the cooperative  
21 housing corporation occupying a unit in the cooperative housing  
22 corporation as his or her principal residence as of the date of the  
23 filing under this subsection.

24 (d) A statement of the total number of units of the  
25 cooperative housing corporation on which an exemption under this  
26 section was claimed and that were transferred in the tax year  
27 immediately preceding the tax year in which the filing under this

1 section was made.

2 (27) Before May 1, 2004 and before May 1, 2005, the treasurer  
3 of each county shall forward to the department of education a  
4 statement of the taxable value of each school district and fraction  
5 of a school district within the county for the preceding 4 calendar  
6 years. This requirement is in addition to the requirement set forth  
7 in section 151 of the state school aid act of 1979, 1979 PA 94, MCL  
8 388.1751.

9 (28) For a parcel of property open and available for use as a  
10 bed and breakfast, the portion of the taxable value of the property  
11 used as a principal residence under subsection (16) shall be  
12 calculated in the following manner:

13 (a) Add all of the following:

14 (i) The square footage of the property used exclusively as that  
15 owner's principal residence.

16 (ii) 50% of the square footage of the property's common area.

17 (iii) If the property was not open and available for use as a  
18 bed and breakfast for 90 or more consecutive days in the  
19 immediately preceding 12-month period, the result of the following  
20 calculation:

21 (A) Add the square footage of the property that is open and  
22 available regularly and exclusively as a bed and breakfast, and 50%  
23 of the square footage of the property's common area.

24 (B) Multiply the result of the calculation in sub-subparagraph  
25 (A) by a fraction, the numerator of which is the number of  
26 consecutive days in the immediately preceding 12-month period that  
27 the property was not open and available for use as a bed and

1 breakfast and the denominator of which is 365.

2 (b) Divide the result of the calculation in subdivision (a) by  
3 the total square footage of the property.

4 (29) The owner claiming an exemption under this section for  
5 property open and available as a bed and breakfast shall file an  
6 affidavit claiming the exemption on or before May 1 with the local  
7 tax collecting unit in which the property is located. The affidavit  
8 shall be in a form prescribed by the department of treasury.

9 (30) As used in this section:

10 (a) "Bed and breakfast" means property classified as  
11 residential real property under section 34c that meets all of the  
12 following criteria:

13 (i) Has 10 or fewer sleeping rooms, including sleeping rooms  
14 occupied by the owner of the property, 1 or more of which are  
15 available for rent to transient tenants.

16 (ii) Serves meals at no extra cost to its transient tenants.

17 (iii) Has a smoke detector in proper working order in each  
18 sleeping room and a fire extinguisher in proper working order on  
19 each floor.

20 (b) "Common area" includes, but is not limited to, a kitchen,  
21 dining room, living room, fitness room, porch, hallway, laundry  
22 room, or bathroom that is available for use by guests of a bed and  
23 breakfast or, unless guests are specifically prohibited from access  
24 to the area, an area that is used to provide a service to guests of  
25 a bed and breakfast.