



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5017 (Substitute H-1 as reported without amendment)

Sponsor: Representative Margaret O'Brien

House Committee: Tax Policy

Senate Committee: Economic Development

CONTENT

The bill would amend the General Property Tax Act to discontinue a three-year exemption from school operating taxes for new construction on development property, and replace it with an exemption that would apply to the real property as well as the residential structures on it. The bill would do the following:

- Limit the current exemption to taxes levied through December 30, 2013.
- Exempt from school operating taxes, between November 1, 2013, and December 30, 2015, development property on which exempt new construction was located, for up to two years, to the extent provided for a principal residence.
- Beginning December 31, 2013, exempt eligible development property from school operating taxes, for up to three years, to the extent provided for a principal residence.
- Establish deadlines to claim the exemptions.

"Development property" would refer to real property that was the site of a residential dwelling, condominium unit, or other residential structure that was not and had never been occupied, was available for sale, was not leased, and was not used for any business or commercial purpose (except as an on-site office in a specific development). "Eligible development property" would include a residential dwelling, condominium unit, or other residential structure that met the same conditions and was new construction after December 30, 2012, and the real property on which it was located.

MCL 211.7ss

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce local school operating revenue by an unknown amount that would depend on the specific characteristics of the affected property. Any loss would require increased School Aid Fund expenditures in order to maintain per-pupil funding guarantees.

In 2012, the taxable value of development property totaled \$145.6 million, of which an unknown portion is exempt under existing law. However, an 18-mill tax levied against that total would generate \$2.6 million in revenue.

Date Completed: 12-4-13

Fiscal Analyst: David Zin