

Legislative Analysis



PRINCIPAL RESIDENCE EXEMPTION FOR RESIDENTS OF NURSING HOME, ASSISTED LIVING FACILITY, OR OTHER LOCATION OF CONVALESCENCE

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House Bill 4905 (reported from committee as substitute H-2)

Sponsor: Rep. Peter J. Lucido

Committee: Tax Policy

Complete to 12-4-17

(Enacted as Public Act 133 of 2018)

BRIEF SUMMARY:

House Bill 4905 would amend the General Property Tax Act to remove a requirement that a property must be unoccupied in order for an individual who resides in a nursing home or assisted living facility to continue to claim a principal residence exemption (PRE) on the property. It would also allow the exemption to continue for a situation in which the individual is residing in “any other location,” as long as the individual is residing there solely for purposes of convalescence. [*Merriam-Webster’s Collegiate Dictionary* (11th ed., 2014) defines the verb “convalesce” as “to recover health and strength gradually after sickness or weakness.”]

MCL 211.7cc

DETAILED SUMMARY:

Currently under the act, an owner of property who previously occupied that property as a principal residence but now resides in a nursing home or assisted living facility can retain the PRE if certain criteria are met. The individual must manifest an intent to return to the property by satisfying all of the following:

- The owner continues to own the property while in a nursing home or assisted living facility.
- The owner has not established a new PRE.
- The owner maintains or provides for the maintenance of the property while in a nursing home or assisted living facility.
- The property is not occupied, is not leased, and is not used for business or commercial purpose.

HB 4905 would remove the requirement that the property be “not occupied.” That is, the bill would allow an individual residing in a nursing home or assisted living facility to retain a PRE on the property, even if it were occupied, as long as the other criteria were met.

Additionally, the bill would expand the current exemption for individuals residing in a nursing home or assisted living facility to include individuals residing in a nursing home, assisted living facility, **or** “any other location,” if the individual is residing in that other location solely for purposes of convalescence. The criteria listed above would still apply.

BRIEF DISCUSSION:

The bill is understood to address a situation in which an individual, generally a senior citizen, is residing in a nursing home or assisted living facility while at the same time an individual, perhaps a family member, is occupying the original property, potentially for purposes of maintenance or convenience. HB 4905 would allow the PRE to be maintained in this instance. Supporters say that this is a common-sense solution: it should not matter that someone is temporarily taking care of the home in order for the individual to maintain the exemption. This will also accommodate seniors who may not otherwise know of the PRE filing and rescission requirements.

Additionally, it is not uncommon for senior citizens to reside with family members or friends when recovering from illness. Supporters believe the continuation of the PRE should not only be linked to residence in a nursing home or assisted living facility, but to any other location where the individual is convalescing. A senior citizen should be able to choose to stay with a family member, rather than move into a nursing home, and still maintain the PRE.

Overall, proponents believe that, regardless of whether the property is temporarily occupied, and regardless of where the individual chooses to recuperate, the PRE should remain, especially for senior citizens facing health and aging challenges. And, as Michigan's population continues to age, policies that support individuals' ability to age in place will be beneficial.

No individuals or groups expressed opposition to the bill **as introduced**. The Michigan Department of Treasury expressed concern regarding the **substitute** reported from committee. [The substitute added the provision that would maintain the PRE for an individual residing in "any other location" solely for purposes of convalescence.]

FISCAL IMPACT:

As written, the bill would broaden the requirements for claiming a principal residence exemption, which would result in a reduction in the 18-mill levy earmarked for local schools and would require an increase in School Aid Fund expenditures to maintain the existing foundation allowance. Because the number of eligible residences and corresponding taxable values cannot be identified in advance, it is not possible to calculate the actual reduction in the non-homestead levy, although the total fiscal impact would likely be small.

Purely as an example, for a residence with a taxable value of \$55,000 (roughly the statewide average), an exemption from the 18-mill non-homestead levy would reduce local K-12 revenue by just under \$1,000. Thus, if 1,000 taxpayers availed themselves of this provision, the total reduction in revenue would be about \$1.0 million.

POSITIONS:

A representative of the Michigan Department of Treasury testified in support of the bill **as introduced**. (11-8-17, 11-29-17)

A representative of the Michigan Assessors Association indicated support of the bill. (11-29-17)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.