

# Legislative Analysis



## POVERTY EXEMPTION

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**Senate Bill 1234 (H-1) as reported from House committee**

**Sponsor: Sen. Jim Runestad**

**House Committee: Ways and Means**

**Senate Committee: Finance**

**Complete to 12-16-20**

Analysis available at  
<http://www.legislature.mi.gov>

*(Enacted as Public Act 253 of 2020)*

## SUMMARY:

Under the General Property Tax Act, owners of *principal residences* can file a claim seeking a “poverty exemption” for some or all of property taxes due. A homeowner must file a claim with the local supervisor or board of review, and the claim is to be accompanied by federal and state income tax returns for all persons residing in the principal residence, including any property tax credit returns in the current or immediately preceding year. The act also contains other criteria that must be met to receive a poverty exemption.

Generally speaking, a *principal residence* is an owner-occupied residence that is the owner’s primary residence. The term, for purposes of the poverty exemption, also includes qualified agricultural property.

**Senate Bill 1234** would amend the act to allow a local assessing unit to permit by resolution a principal residence that was exempt in tax year 2019 or 2020, or both, to remain exempt in tax years 2021, 2022, and 2023 without subsequent reapplication as long as the eligible person’s ownership and occupancy were unchanged.

Also, under the bill, a local assessing unit could allow a principal residence exempt for the first time in tax year 2021, 2022, or 2023 to remain exempt for up to three more years without subsequent reapplication as long as the eligible person’s ownership and occupancy were unchanged if the eligible person receives a fixed income solely from specified public assistance.

A person with such an extended exemption would have to file an affidavit rescinding the exemption as extended within 45 days if he or she ceased to qualify. If the person ceased to qualify and failed to file a rescission, he or she would be subject to repayment of any additional taxes with interest. Upon discovery that the property is no longer eligible, the assessor would have to remove the exemption, and the assessing unit or county treasurer, as applicable, would have to amend the tax roll and issue a corrected or supplemental tax bill, including 1% interest per month. Taxes levied in a corrected or supplemental tax bill would have to be returned as delinquent on March 1 in the immediately succeeding year.

Additionally, a principal residence that was exempt in tax year 2019 or 2020, or both, would remain exempt through tax year 2021 if, on or before February 15, 2021, the local assessing unit’s governing body adopted such a resolution. The bill would also require a person claiming a poverty exemption to affirm the ownership and occupancy status for the

property by filing the form prescribed by the State Tax Commission with the local assessing unit on an annual basis.

If a local assessing unit adopted a resolution allowing the extended exemptions, it would have to develop and implement an audit program that includes the audit of the information filed. A person determined by the audit to be ineligible would have to repay taxes and interest. The State Tax Commission would have to provide further guidance on the audit program.

As currently, the board of review could grant the poverty exemption in whole or in part. The bill states that the board could grant a 100%, 50%, or 25% exemption, or—as approved by the State Tax Commission—any other percentage reduction.

If the local assessing unit maintains a website, it would have to make the policy and guidelines, and the form for requesting a poverty exemption, available to the public on the website.

MCL 211.7u

#### **FISCAL IMPACT:**

As written, to the extent that a delinquent taxpayer is able to qualify for a poverty exemption in a prior year, revenue would be reduced relative to current law, although the bill would not be expected to have a significant impact on state or local revenues. Currently, the poverty exemption is estimated to reduce state and local revenue by approximately \$10.0 million per year.

#### **POSITIONS:**

The Department of Treasury indicated support for the bill. (12-15-20)

The Michigan Townships Association indicated a neutral position on the bill. (12-15-20)

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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.