

POVERTY EXEMPTION EXTENSION

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Senate Bill 55 (H-1) as adopted
Sponsor: Sen. Stephanie Chang
House Committee: Tax Policy
Senate Committee: Housing and Human Services
Complete to 10-14-23

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

SUMMARY:

Senate Bill 55 would amend the General Property Tax Act to provide that properties that qualified for a poverty exemption from property taxes during the 2019, 2020, and 2021 tax years could remain exempt through the 2023 tax year, along with other complementary changes. The bill would also allow boards of review to grant a 75% poverty exemption, in addition to the values already permitted in the act.

Currently, the act allows local supervisors and boards of review to grant a “poverty exemption” to qualifying owners of *principal residences*.

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

A principal residence that was exempt in tax year 2019 or 2020 remained exempt through tax year 2021 if, on or before February 25, 2021, the local assessing unit’s governing body adopted such a resolution.

A local board of review can grant a 100%, 50%, or 25% exemption, or it can grant any other percentage reduction subject to the State Tax Commission’s approval.

Senate Bill 55 would provide that properties that were exempted in tax years 2019, 2020, and 2021 could remain exempt through tax year 2023 if, on or before December 1, 2023, local assessing unit’s governing body adopted such a resolution.

A board of review would be able to grant a 75% exemption in taxable value for the tax year in which the exemption is granted.

The bill would also grant local boards of review the sole authority in determining if an applicant qualifies, rather than local boards of review and local supervisors.

If a poverty exemption for an eligible individual’s principal residence was not on the assessment roll and was not denied, the July or December board of review would have to grant either a partial or whole exemption on that residence for the immediately preceding tax year. This would constitute a “qualified error” as defined by this section of the General Property Tax Act. In such cases, a claim of exemption would have to be filed with the

board of review on a form prescribed by the State Tax Commission and provided by the local assessing unit, accompanied by supporting documentation that establishes eligibility for the poverty exemption for the immediately preceding tax year and any additional documentation as may be required by the State Tax Commission.

The local assessing unit would be required to notify the Department of Treasury of any exemption granted for the immediately preceding tax year in a form and manner prescribed by the department.

MCL 211.7u et seq.

BRIEF DISCUSSION:

According to committee testimony, the program has proven useful for local governments, but the initial opt-in window only lasted a few months. The bill is intended to extend the opt-in period and allow more local units to participate.

HOUSE FLOOR ACTION:

The H-1 substitute adopted by the House is a “conflict substitute” that incorporate changes to the law proposed by another bill moving through the legislative process at the same time. Generally speaking, conflict substitutes resolve potential conflicts between different bills that amend the same section of law. Without a substitute that takes both bills into account, the last bill enacted would overwrite and undo the changes made by the earlier bill. The H-1 substitute includes changes regarding the denial of a disabled veterans property tax exemption as a qualified error proposed by Senate Bill 364, which was presented to the governor on October 10, 2023.¹

FISCAL IMPACT:

As written, the bill would reduce state and local property tax revenue by an unknown, but likely, small amount. Under current law, the existing exemption is estimated to reduce revenue by about \$6.5 million. Increasing the poverty exemption and allowing for retroactivity would likely generate an additional revenue reduction, but, as already stated, the impact would be expected to be small.

POSITIONS:

A representative of the Michigan Association of County Treasurers testified in support of the bill. (6-21-23)

The following entities indicated support for the bill:

- Michigan Assessors Association (9-6-23)
- Michigan Association of United Ways (6-21-23)

¹ <http://legislature.mi.gov/doc.aspx?2023-SB-0364>

- Michigan Catholic Conference (9-6-23)
- Michigan Community Action (9-6-23)
- Michigan League for Public Policy (6-21-23)
- Michigan Municipal League (9-6-23)
- Michigan Townships Association (6-21-23)

The Department of Treasury indicated a neutral position on the bill. (6-21-23)

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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.