

SFA

BILL ANALYSIS

Senate Fiscal Agency

•

Lansing, Michigan 48909

•

(517) 373-5383

Senate Bill 265 (as passed by the Senate)

Sponsor: Senator William Sederburg

Committee: Finance

Date Completed: 6-23-87

AUG 19 1987

Mich. State Law Library

RATIONALE

The General Property Tax Act exempts from taxation housing owned and operated by an incorporated, nonprofit organization or the State, if the housing is occupied and used solely by seniors or handicappers. The State is required to reimburse local units of government for the total amount of taxes exempted. Currently, the Act defines "housing" as new or rehabilitated structures, "consisting of eight or more residential units".

Until September of 1986 this provision had been interpreted to mean that all housing projects that met the Act's requirements were allowed a tax exemption. Attorney General Opinion No. 6385, however, found that the exemption applied only to structures that had eight or more units, not to projects that had eight or more units. The opinion states that tax exemption language must not be liberally interpreted, saying, "Since exemption is the antithesis of tax equality, exemption statutes are to be strictly construed in favor of the taxing unit". The Attorney General also opined that the Legislature was encouraging the construction of housing for seniors and the handicapped, and that, "...it is reasonable to assume the Legislature intended that the expense of construction or reconstruction of such housing facilities, and the resultant assessment for tax reimbursement purposes, be cost effective by requiring a minimum of eight residential units in a housing structure".

The result of the opinion is that senior and handicapped housing projects, unless they have at least eight units per structure, have lost their tax-exempt status and could experience sharp increases in costs per unit. It was stated in testimony before the Senate Finance committee that this could harm several housing projects since recent developments in building style have been toward cluster-type housing rather than tower-type structures. Some people feel the language of the Act should be clarified so that these housing projects would be allowed to maintain a tax-exempt status.

CONTENT

The bill would amend the General Property Tax Act to define "housing" as new or rehabilitated structures, "with eight or more residential units in one or more of the structures". (This would mean that housing eligible for the exemption would not have to consist of a single structure with eight units.)

Housing eligible for the tax exemption must be occupied and used solely by seniors and handicappers. The bill specifies that this would include situations in which an adult was living and caring for a senior or handicapped person who was unable to live independently.

MCL 211.7d

FISCAL IMPACT

The bill would result in a minor, but indeterminate, loss of property tax revenue.

ARGUMENTS**Supporting Argument**

The bill would negate the effect of an Attorney General opinion and return to tax-exempt status all housing projects for seniors and handicappers, if the housing is occupied and used solely by seniors and handicappers, and is owned and operated by an incorporated, nonprofit organization or by the State. The opinion, by removing the tax exemption from housing that does not have eight units per structure, could be costly for a number of housing projects that were built with eight or more units but the units were placed in more than one structure. The bill would not expand the ability of certain housing projects to claim tax exemptions; it only would remove an ambiguity in the Act, so that many valuable projects could remain economically viable, and future projects would not be restricted to tower-type structures but could employ cluster housing.

Legislative Analyst: G. Towne

Fiscal Analyst: N. Khouri

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

S.B. 265 (6-23-87)