



**House
Legislative
Analysis
Section**

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POVERTY EXEMPTION APPEALS

**House Bill 4077 (Substitute H-2)
First Analysis (2-28-95)**

**Sponsor: Rep. Willis Bullard, Jr.
Committee: Tax Policy**

THE APPARENT PROBLEM:

The General Property Tax Act contains a so-called poverty or hardship exemption, under which the homesteads of persons who, in the judgment of the supervisor and board of review are unable, by reason of poverty, to contribute toward the public charges are eligible for exemption in whole or in part from property taxes. This is a very old provision that was modified somewhat last year. Public Act 390 of 1994 put in statute guidelines for determining who is eligible to apply for an exemption and spelled out an application process. Local units were required to adopt policies and guidelines for use in granting exemptions, and boards of review were required to follow the policy and guidelines unless they had substantial and compelling reasons to do otherwise. Applicants must file for an exemption after January 1 but before the day prior to the last day of the March board of review. Some people have recommended that homeowners be allowed to seek poverty exemptions at the July and December boards of review as well, so that taxpayers would not have to wait an entire tax year should their financial circumstances change or should it not occur to them to claim an exemption until the arrival of the tax bill, after the March deadline. Currently, the July and December boards of review address only clerical errors and mutual mistakes of fact and, beginning in 1994, appeals of claims for exemptions from local school taxes for homesteads and qualified agricultural property under the new school finance system.

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act to permit appeals of claims for hardship exemptions or poverty exemptions by owner-occupiers of homesteads to be heard at board of review meetings in July and December. The act currently permits those meetings only to address clerical errors and mutual mistakes of fact and appeals of claims for exemptions from local school taxes for homesteads

and qualified agricultural property under the new school finance system. The bill would provide that if a hardship or poverty exemption (under Section 7u of the act) was approved, the board of review would have to file an affidavit with the proper officials involved in the assessment and collection of taxes and all affected official records would have to be corrected. If the July or December board of review denied a claim for an exemption, the person claiming the exemption could appeal the decision to the Michigan Tax Tribunal within 30 days of the denial.

The bill would take effect December 31, 1995.

MCL 211.53b

FISCAL IMPLICATIONS:

A representative of townships told the House Tax Policy Committee that there would be some loss of revenue to local units as a result of providing additional opportunities for taxpayers to claim a poverty or hardship exemption. The amount, of course, is indeterminate and would vary depending on how many additional claims occurred in a community. (2-23-95)

ARGUMENTS:

For:

The bill would provide two additional opportunities for homeowners to claim a poverty or hardship exemption from property taxes. This kind of exemption is aimed at preventing people from losing their homes because they cannot pay their property taxes. The bill does nothing to change eligibility standards; it does not affect local decision making. It simply permits a claim to be made at the July and December meetings of the local board of review, rather than only at the March board of review. Many homeowners in dire economic circumstances are not aware of this option, and the bill permits

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them more opportunities to find out about the exemption and make a claim.

Against:

Representatives of local officials complain that the poverty or hardship exemption provisions were just re-written last year. Local units are only just beginning to adjust to that new legislation. There is no way of knowing, until there has been some experience with the new provisions, whether any problem exists of the kind that this bill proposes to address. Why not allow the local units to gain some experience under the revised hardship exemption law before imposing an additional, perhaps unnecessary, burden? This potential burden should be understood, as well, in the context of the enormous number of changes to the state's property tax system stemming from the creation of the new school finance system, the addition of the cap on property assessments, and other recent legislation. Assessors and other local officials have many adjustments to make.

Response:

The bill as reported from committee carries a delayed effective date out of consideration for the difficulties local units could face from immediate implementation.

Against:

To the extent that this bill increases the number of poverty exemptions, it will affect the budgets of local units. Tax specialists say tax rates are set and budgets developed after the March board of review has met. Poverty claims after that date could produce unanticipated losses of revenue. It also will increase administrative costs by expanding the purposes of the July and December board of review meetings.

Response:

It's hard to imagine that a few additional exemptions will affect local units of government significantly. They must already set aside reserves in anticipation of appeals of board of review decisions by the state's tax tribunal, say tax specialists. Even if costs do increase, isn't that offset by the need to help people stay in their homes?

POSITIONS:

A representative from the Department of Treasury told the House Tax Policy that the department would not oppose the bill with the delayed effective

date. (2-23-95)

The Michigan Assessors' Association does not oppose the bill with the addition of a delayed effective date. (2-27-95)

The Michigan Townships Association opposes the bill. (2-23-95)