



**House  
Legislative  
Analysis  
Section**

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## COOPERATIVES AS HOMESTEADS

**House Bill 5706 (Substitute H-3)  
First Analysis (5-21-96)**

**Sponsor: Rep. Dan Gustafson  
Committee: Tax Policy**

### ***THE APPARENT PROBLEM:***

Under the state's new school financing/property tax system, put in place by the passage of Proposal A in 1994, owners of homestead and qualified agricultural property pay property taxes at a different rate than owners of non-homestead property. Homesteads and agricultural property are subject to a 6-mill state school property tax but are exempt from the 18-mill local school operating property tax. (Commercial and industrial property are subject to both the state and local school taxes.) Under the General Property Tax Act, to claim a homestead exemption, a property owner must file an affidavit on or before May 1 with the local unit. The act specifies in the definition of "homestead" that the term includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Reportedly, the treatment of such corporations needs clarification. According to staff to the House Tax Policy Committee, tenants in some complexes were denied the exemption because their housing authorities did not have "co-op" in the name and because some authorities are organized under federal law as non-stock corporations. Also, under current law, each tenant must file an affidavit rather than the corporation. (This, obviously, leads to a lot of paperwork, and tenants may not have the information about the legal status of the corporation. Plus, in cases where exemptions are denied to a housing corporation, it leads to numerous appeals rather than one.) The Department of Treasury says it has been working with 80 or so such corporations to overcome the technical difficulties of applying the homestead exemption to these housing arrangements and has been able to provide them with the exemption to which they are entitled. Legislation has been introduced to clarify the exemption process for cooperative housing corporations.

### ***THE CONTENT OF THE BILL:***

The bill would amend the General Property Tax Act (MCL 211.7cc and 211.7dd) so that a cooperative housing corporation would be entitled to a homestead exemption if the corporation filed an affidavit form; a statement of the total number of units owned by the

corporation and occupied as the principal residence of a tenant stockholder as of the filing date; a list of the names, addresses, and social security numbers of the tenant stockholders as of the date of filing; and a statement of the total number of units for which an exemption was claimed that had been transferred in the immediately preceding tax year. (The bill would specify that a unit in a cooperative housing corporation owned by a tenant stockholder was presumed to be that tenant stockholder's principal residence.) A corporation would be entitled to the exemption for the tax year in which it filed the required information if it was filed on or before May 1 of the tax year or for the tax year following the year in which the information was filed if filed after May 1 of the tax year. The bill would apply for tax years beginning on and after January 1, 1994. Also, the bill would specifically include under the term "owner" a cooperative housing corporation and a facility registered under the Living Care Disclosure Act.

### ***FISCAL IMPLICATIONS:***

The bill has no fiscal implications, according to the House Fiscal Agency. (Fiscal Note dated 5-10-96)

### ***ARGUMENTS:***

#### ***For:***

The bill would clarify the process by which cooperative housing corporations obtain the homestead exemption that permits them to be exempted from the 18-mill local school operating property tax. Rather than require each individual tenant to file a homestead affidavit, the bill would have the corporation file. This would clear up the existing situation, whereby residents in some housing corporations were initially denied the homestead exemption. The bill is retroactive to 1994. While the bill only refers to stockholder corporations, a treasury department spokesperson has said that federal case law requires that stockholder and non-stockholder housing corporations be treated alike.

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***POSITIONS:***

The Department of Treasury supports the bill. (5-17-96)

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