



**House
Legislative
Analysis
Section**

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HOMESTEAD EXEMPTION APPEALS

**House Bill 5638 (Substitute H-1)
Revised First Analysis (4-30-98)**

**Sponsor: Rep. Thomas Kelly
Committee: Tax Policy**

THE APPARENT PROBLEM:

With some exceptions, under Michigan's new school financing system, homesteads (owner-occupied principal residences) are exempt from local school property taxes. To receive a homestead exemption, homeowners are supposed to file an affidavit with the local tax collecting unit by May 1. (Once in place, the exemption remains until the property is transferred or ceases to be a homestead; homeowners need not file annually.) However, homeowners who owned and occupied property as of May 1 for which an exemption is not on the tax roll also have the opportunity to obtain an exemption by going to the July or December board of review in the year for which the exemption is claimed or the immediately succeeding year. This means, for example, that a homeowner who owned and occupied a new home in January of 1996 but failed to file an affidavit by May 1st could get the homestead exemption for 1996 by going to the July or December boards of review in either 1996 or 1997. This is still a new system; property owners have not had much experience with it. Some people believe that the law intends for owners of homestead to pay lower property tax rates than other property and that homeowners should not be penalized because, out of ignorance or confusion or neglect, they fail to meet certain administrative deadlines. At least, say advocates for this point of view, homeowners should be granted more leeway in claiming a homestead exemption for which they were eligible in the first few years of this new property tax/school finance system. Legislation has been introduced to do that through the year 2000.

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act to allow homeowners to seek a homestead exemption for taxes levied after December 31, 1994 and prior to January 1, 1997 at the local July and December boards of review in the year for which the exemption was claimed or any succeeding year through the year 2000.

The current provisions, which require a homeowner to claim an exemption at the July and December boards of review in the year for which the exemption was claimed or the immediately succeeding year, would apply to for taxes levied after December 31, 1996.

MCL 211.7cc

FISCAL IMPLICATIONS:

The House Fiscal Agency points out that the bill would decrease the amount that local units collect for schools and increase the state's portion of the foundation allowance. (Fiscal Note dated 4-22-98)

ARGUMENTS:

For:

The bill recognizes that the state has adopted a new, still unfamiliar, school property tax system and allows homeowners additional time to claim homestead exemptions they were eligible to claim in 1995 and 1996 but which they failed, for whatever reason, to claim in a timely manner. Sensibly, the bill sunsets this provision on the grounds that over time homeowners (and real estate professionals dealing with first-time buyers) should become more familiar with the process for obtaining the exemption from school operating taxes. Remember that in creating a new school finance/property tax system, Proposal A intended that homesteads pay a lower rate than other property; this basic notion should not be overwhelmed by administrative concerns, particularly in the first few years of this new system.

Against:

It does not seem too much to ask that homeowners be aware of the process and the deadlines for obtaining an exemption from local school operating property taxes. Currently, taxpayers who fail to file by the May 1 deadline can go to the July and December boards of

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review in the year for which the exemption is claimed or in the year after. This seems sufficient. Keep in mind that when late claims are approved, tax dollars intended for schools must be rebated. There needs to be some stability and closure for local units of government; the law should not allow endless opportunities for late claims. This is an administrative inconvenience for local units.

POSITIONS:

The Michigan Townships Association testified that it supports the bill in its current form. (4-22-98)

The Michigan Municipal League is opposed to the bill. (4-27-98)

Analyst: C. Couch

■ 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.