

**ASSESSMENT EXEMPTIONS:
CHARITABLE HOUSING ORG.**

House Bill 4942
Sponsor: Rep. Steve Tobocman
Committee: Tax Policy

Complete to 8-21-03

A SUMMARY OF HOUSE BILL 4942 AS INTRODUCED 8-21-03

The bill would amend the General Property Tax Act to exempt residential property connected with a charitable housing organization from several of the usual assessment practices. Under the bill, the increased value added by new construction to residential real property owned by a charitable housing organization would not result in an assessment increase. Further, the bill would maintain the assessment cap on residential property when it was transferred to such a charitable housing organization, from the organization to a low income person, or from the organization to a low income person and then to another low income person. Such transfers would not result in a re-assessment based on market value as would otherwise be the case.

With the passage of Proposal A in 1994, the new school financing system, the state adopted an assessment cap that limits how much the taxable value of a parcel of property can increase from one year to the next. A parcel's assessment cannot increase more than the rate of inflation or five percent, whichever is lower. However, when property is sold, its taxable value returns to 50 percent of market value before the assessment cap is again applied in future years. (This is sometimes referred to as the "pop-up".) Some transactions are exempt from the market-based re-assessment. House Bill 4942 would add three additional exemptions: 1) the transfer of residential property to a charitable housing organization; 2) the transfer of residential property from a charitable housing organization to a low income person; and 3) the transfer of residential property from a low income person to another low income person when the person transferring the property had received it from a charitable housing organization.

The term "low income person" would refer to a person with a family income not greater than 60 percent of the statewide median gross income and who is eligible to participate according to the program criteria of a charitable housing organization. The term "charitable housing organization" would refer to a nonprofit organization whose primary purpose is the construction or renovation of residential housing for conveyance to a low income person.

MCL 211.27a and 211.34d

Analyst: M. Wolf

■ 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.