

# Legislative Analysis



## POP-UP EXEMPTION: NEW HOME BUYERS IN DETROIT

Mitchell Bean, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 5987**

**Sponsor: Rep. Virgil Smith**

**Committee: Commerce**

**Complete to 6-21-04**

## A SUMMARY OF HOUSE BILL 5987 AS INTRODUCED 6-9-04

Generally speaking, the increase in the assessment of a parcel of real property cannot increase from one year to the next by more than the rate of inflation or five percent, whichever is less. However, when property is transferred, its valuation returns (or “pops up”) to 50 percent of market value. Some transactions are exempt from being treated as pop-up transfers under the General Property Tax Act. House Bill 5987 would amend the act to provide an exemption for a transfer of residential property in a city with a population of at least 750,000 (i.e., Detroit) if the property is being transferred to a person who has not previously claimed a principal residence exemption in any local tax collecting unit in the state (e.g., a first-time home buyer in Michigan).

To qualify, the new owner would have to file an affidavit claiming the property as his or her principal residence, and the local tax collecting unit would have to agree that the property qualified as an owner-occupied principal residence by granting the exemption. (An owner-occupied principal residence is exempt from paying local school operating property taxes.)

MCL 211.27a

## FISCAL IMPACT:

Based on data from the State Tax Commission and the National and Michigan Association of Realtors, this bill would reduce property tax revenue by an estimated \$3.3 million in the first year, \$7.0 million in the second year, and \$11.3 million in the third year. Of the total property tax reduction, approximately 9% would affect state education tax revenue, which is earmarked for the School Aid Fund (SAF), 20% would affect local school revenue, and the remaining 71% would affect other local units.

Legislative Analyst: Chris Couch  
Fiscal Analyst: Rebecca Ross

---

■ 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.