

# Legislative Analysis



## PRINCIPAL RESIDENCE EXEMPTION

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**Senate Bill 859 as passed by the Senate**

**Sponsor: Sen. Nancy Cassis**

**House Committee: Tax Policy**

**Senate Committee: Finance**

**Complete to 3-6-06**

## A SUMMARY OF SENATE BILL 859 AS PASSED BY THE SENATE 11-9-05

The bill would amend the General Property Tax Act to permit a totally and permanently disabled sole beneficiary of a trust to claim a principal residence exemption, if the trust purchased or acquired the property as a principal residence for the beneficiary.

Under the General Property Tax Act, the owner of a principal residence or a qualified agricultural property may claim an exemption for the 18 mills levied for school operating purposes by filing an affidavit with the local tax collecting unit by May 1 of each year. The act defines "owner" to mean the following:

- A person who owns property or who is purchasing property under a land contract.
- A person who is a partial owner of property.
- A person who owns property as a result of being a beneficiary of a will or trust or as a result of intestate succession.
- A person who owns or is purchasing a dwelling on leased land.
- A person holding a life lease in property previously sold or transferred to another.
- A grantor who has placed the property in a revocable trust or a qualified personal residence trust.
- A cooperative housing corporation.
- A facility registered under the Living Care Disclosure Act.

The bill would add that the beneficiary of the trust, as described above, would be included in the definition of "owner." Additionally, under the bill, "totally and permanently disabled" means "disability" as that term is defined in the federal Social Security Act, 42 USC 416, which defines "disability" to mean blindness or the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months.

## FISCAL IMPACT:

Given that the amount of property that would qualify for the 18-mill exemption is not known, the fiscal impact of these bills cannot be accurately determined. To the extent that property becomes eligible for the 18-mill exemption, local property tax revenue that

would be earmarked for local education would decline. Although there is no direct impact on state revenues, there is an indirect burden on the School Aid Fund in that it must compensate for reduced educational funding at the local level.

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