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BILL ANALYSIS

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House Bill 6030 (Substitute H-1 as passed by the House)  
Sponsor: Representative Howard Walker  
House Committee: Tax Policy  
Senate Committee: Finance

Date Completed: 12-12-06

## **CONTENT**

**The bill would amend the General Property Tax Act to establish a formula for calculating the principal residence portion of the taxable value of property used as a bed and breakfast.**

Under the Act, a principal residence is exempt from the tax levied by a local school district for operating purposes to the extent provided under the Revised School Code, if the owner claims an exemption. If a principal residence is part of a unit in a multiple-unit dwelling or a dwelling unit in a multiple-purpose structure, an owner may claim an exemption only for that portion of the total taxable value of the property used as the owner's principal residence.

Under the bill, for a parcel of property open and available for use as a bed and breakfast (B&B), the portion of the taxable value of the property used as a principal residence would have to be calculated as shown below.

If the property were open and available regularly and exclusively as a B&B for at least 90 consecutive days, the portion used as a principal residence would be:

$$\frac{(A + B)}{C}$$

- **A** is the square footage of property used exclusively as the principal residence.
- **B** is 50% of the square footage of common areas.
- **C** is the total square footage of the property.

If the property were not open and available regularly and exclusively as a B&B for at least 90 consecutive days, the portion used as a principal residence would be calculated according to the following formula:

$$\frac{A + B + [(C+B) \times (\text{Days not open} \div 365)]}{D}$$

- **A** is the square footage of the property used exclusively as a principal residence.
- **B** is 50% of the square footage of the common areas.
- **C** is the square footage of the property used exclusively as a B&B.
- **D** is the total square footage of the property.

By May 1, the owner claiming an exemption under the bill would have to file an affidavit, in a form prescribed by the Department of Treasury, with the local tax collecting unit in which the property was located.

The bill would define "bed and breakfast" as property classified as residential real property under the Act that meets all of the following criteria:

- Has 10 or fewer sleeping rooms, including sleeping rooms occupied by the owner of the property, one or more of which are available for rent to transient tenants.
- Serves meals at no extra cost to its transient tenants.
- Has a smoke detector in proper working order in each sleeping room and a fire extinguisher in proper working order on each floor.

"Common area" would include, but not be limited to, a kitchen, dining room, living room, fitness room, porch, hallway, laundry room, or bathroom that is available for use by guests of a bed and breakfast or, unless guests are specifically prohibited from access to the area, an area that is used to provide a service to guests of a bed and breakfast.

MCL 211.7cc

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill would have no impact on local unit expenditures or revenue. However, the bill would reduce State education tax revenue and increase School Aid Fund expenditures by an unknown amount. The actual amount of the reduction would depend upon the specific characteristics of the property affected by the bill.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.