

**SUBSTITUTE FOR  
SENATE BILL NO. 1239**

A bill to amend 1893 PA 206, entitled  
"The general property tax act,"  
by amending section 7cc (MCL 211.7cc), as amended by 2008 PA 96.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 7cc. (1) A principal residence is exempt from the tax  
2       levied by a local school district for school operating purposes to  
3       the extent provided under section 1211 of the revised school code,  
4       1976 PA 451, MCL 380.1211, if an owner of that principal residence  
5       claims an exemption as provided in this section. Notwithstanding  
6       the tax day provided in section 2, the status of property as a  
7       principal residence shall be determined on the date an affidavit  
8       claiming an exemption is filed under subsection (2).

9       (2) Except as otherwise provided in subsection (5), an owner

1 of property may claim 1 exemption under this section by filing an  
2 affidavit on or before May 1 with the local tax collecting unit in  
3 which the property is located. The affidavit shall state that the  
4 property is owned and occupied as a principal residence by that  
5 owner of the property on the date that the affidavit is signed. The  
6 affidavit shall be on a form prescribed by the department of  
7 treasury. One copy of the affidavit shall be retained by the owner,  
8 1 copy shall be retained by the local tax collecting unit until any  
9 appeal or audit period under this act has expired, and 1 copy shall  
10 be forwarded to the department of treasury pursuant to subsection  
11 (4), together with all information submitted under subsection (26)  
12 for a cooperative housing corporation. The affidavit shall require  
13 the owner claiming the exemption to indicate if that owner or that  
14 owner's spouse has claimed another exemption on property in this  
15 state that is not rescinded or a substantially similar exemption,  
16 deduction, or credit on property in another state that is not  
17 rescinded. If the affidavit requires an owner to include a social  
18 security number, that owner's number is subject to the disclosure  
19 restrictions in 1941 PA 122, MCL 205.1 to 205.31. If an owner of  
20 property filed an affidavit for an exemption under this section  
21 before January 1, 2004, that affidavit shall be considered the  
22 affidavit required under this subsection for a principal residence  
23 exemption and that exemption shall remain in effect until rescinded  
24 as provided in this section.

25 (3) Except as otherwise provided in subsection (5), a husband  
26 and wife who are required to file or who do file a joint Michigan  
27 income tax return are entitled to not more than 1 exemption under

1 this section. For taxes levied after December 31, 2002, a person is  
2 not entitled to an exemption under this section if any of the  
3 following conditions occur:

4 (a) That person has claimed a substantially similar exemption,  
5 deduction, or credit on property in another state that is not  
6 rescinded.

7 (b) Subject to subdivision (a), that person or his or her  
8 spouse owns property in a state other than this state for which  
9 that person or his or her spouse claims an exemption, deduction, or  
10 credit substantially similar to the exemption provided under this  
11 section, unless that person and his or her spouse file separate  
12 income tax returns.

13 (c) That person has filed a nonresident Michigan income tax  
14 return, except active duty military personnel stationed in this  
15 state with his or her principal residence in this state.

16 (d) That person has filed an income tax return in a state  
17 other than this state as a resident, except active duty military  
18 personnel stationed in this state with his or her principal  
19 residence in this state.

20 (e) That person has previously rescinded an exemption under  
21 this section for the same property for which an exemption is now  
22 claimed and there has not been a transfer of ownership of that  
23 property after the previous exemption was rescinded, if either of  
24 the following conditions is satisfied:

25 (i) That person has claimed an exemption under this section for  
26 any other property for that tax year.

27 (ii) That person has rescinded an exemption under this section

1 on other property, which exemption remains in effect for that tax  
2 year, and there has not been a transfer of ownership of that  
3 property.

4 (4) Upon receipt of an affidavit filed under subsection (2)  
5 and unless the claim is denied under this section, the assessor  
6 shall exempt the property from the collection of the tax levied by  
7 a local school district for school operating purposes to the extent  
8 provided under section 1211 of the revised school code, 1976 PA  
9 451, MCL 380.1211, as provided in subsection (1) until December 31  
10 of the year in which the property is transferred or, except as  
11 otherwise provided in subsection (5), is no longer a principal  
12 residence as defined in section 7dd. The local tax collecting unit  
13 shall forward copies of affidavits to the department of treasury  
14 according to a schedule prescribed by the department of treasury.

15 (5) Not more than 90 days after exempted property is no longer  
16 used as a principal residence by the owner claiming an exemption,  
17 that owner shall rescind the claim of exemption by filing with the  
18 local tax collecting unit a rescission form prescribed by the  
19 department of treasury. However, if an owner is eligible for and  
20 claims an exemption for that owner's current principal residence,  
21 that owner may retain an exemption for not more than 3 tax years on  
22 property previously exempt as his or her principal residence if  
23 that property is not occupied, is for sale, is not leased, and is  
24 not used for any business or commercial purpose by filing a  
25 conditional rescission form prescribed by the department of  
26 treasury on or before May 1 with the local tax collecting unit.  
27 Property is eligible for a conditional rescission if that property

1 is available for lease and all other conditions under this  
2 subsection are met. A copy of the conditional rescission form shall  
3 be forwarded to the department of treasury according to a schedule  
4 prescribed by the department of treasury. An owner who files a  
5 conditional rescission form shall annually verify to the assessor  
6 of the local tax collecting unit on or before December 31 that the  
7 property for which the principal residence exemption is retained is  
8 not occupied, is for sale, is not leased, and is not used for any  
9 business or commercial purpose. If an owner does not annually  
10 verify by December 31 that the property for which the principal  
11 residence exemption is retained is not occupied, is for sale, is  
12 not leased, and is not used for any business or commercial purpose,  
13 the assessor of the local tax collecting unit shall deny the  
14 principal residence exemption on that property. If property subject  
15 to a conditional rescission is leased, the local tax collecting  
16 unit shall deny that conditional rescission and that denial is  
17 retroactive and is effective on December 31 of the year immediately  
18 preceding the year in which the property subject to the conditional  
19 rescission is leased. An owner who fails to file a rescission as  
20 required by this subsection is subject to a penalty of \$5.00 per  
21 day for each separate failure beginning after the 90 days have  
22 elapsed, up to a maximum of \$200.00. This penalty shall be  
23 collected under 1941 PA 122, MCL 205.1 to 205.31, and shall be  
24 deposited in the state school aid fund established in section 11 of  
25 article IX of the state constitution of 1963. This penalty may be  
26 waived by the department of treasury.

27 (6) Except as otherwise provided in subsection (5), if the

1 assessor of the local tax collecting unit believes that the  
2 property for which an exemption is claimed is not the principal  
3 residence of the owner claiming the exemption, the assessor may  
4 deny a new or existing claim by notifying the owner and the  
5 department of treasury in writing of the reason for the denial and  
6 advising the owner that the denial may be appealed to the  
7 residential and small claims division of the Michigan tax tribunal  
8 within 35 days after the date of the notice. The assessor may deny  
9 a claim for exemption for the current year and for the 3  
10 immediately preceding calendar years. If the assessor denies an  
11 existing claim for exemption, the assessor shall remove the  
12 exemption of the property and, if the tax roll is in the local tax  
13 collecting unit's possession, amend the tax roll to reflect the  
14 denial and the local treasurer shall within 30 days of the date of  
15 the denial issue a corrected tax bill for any additional taxes with  
16 interest at the rate of 1.25% per month or fraction of a month and  
17 penalties computed from the date the taxes were last payable  
18 without interest or penalty. If the tax roll is in the county  
19 treasurer's possession, the tax roll shall be amended to reflect  
20 the denial and the county treasurer shall within 30 days of the  
21 date of the denial prepare and submit a supplemental tax bill for  
22 any additional taxes, together with interest at the rate of 1.25%  
23 per month or fraction of a month and penalties computed from the  
24 date the taxes were last payable without interest or penalty.  
25 Interest on any tax set forth in a corrected or supplemental tax  
26 bill shall again begin to accrue 60 days after the date the  
27 corrected or supplemental tax bill is issued at the rate of 1.25%

1 per month or fraction of a month. Taxes levied in a corrected or  
2 supplemental tax bill shall be returned as delinquent on the March  
3 1 in the year immediately succeeding the year in which the  
4 corrected or supplemental tax bill is issued. If the assessor  
5 denies an existing claim for exemption, the interest due shall be  
6 distributed as provided in subsection (23). However, if the  
7 property has been transferred to a bona fide purchaser before  
8 additional taxes were billed to the seller as a result of the  
9 denial of a claim for exemption, the taxes, interest, and penalties  
10 shall not be a lien on the property and shall not be billed to the  
11 bona fide purchaser, and the local tax collecting unit if the local  
12 tax collecting unit has possession of the tax roll or the county  
13 treasurer if the county has possession of the tax roll shall notify  
14 the department of treasury of the amount of tax due, interest, and  
15 penalties through the date of that notification. The department of  
16 treasury shall then assess the owner who claimed the exemption  
17 under this section for the tax, interest, and penalties accruing as  
18 a result of the denial of the claim for exemption, if any, as for  
19 unpaid taxes provided under 1941 PA 122, MCL 205.1 to 205.31, and  
20 shall deposit any tax or penalty collected into the state school  
21 aid fund and shall distribute any interest collected as provided in  
22 subsection (23). The denial shall be made on a form prescribed by  
23 the department of treasury. If the property for which the assessor  
24 has denied a claim for exemption under this subsection is located  
25 in a county in which the county treasurer or the county  
26 equalization director have elected to audit exemptions under  
27 subsection (10), the assessor shall notify the county treasurer or

1 the county equalization director of the denial under this  
2 subsection.

3 (7) If the assessor of the local tax collecting unit believes  
4 that the property for which the exemption is claimed is not the  
5 principal residence of the owner claiming the exemption and has not  
6 denied the claim, the assessor shall include a recommendation for  
7 denial with any affidavit that is forwarded to the department of  
8 treasury or, for an existing claim, shall send a recommendation for  
9 denial to the department of treasury, stating the reasons for the  
10 recommendation.

11 (8) The department of treasury shall determine if the property  
12 is the principal residence of the owner claiming the exemption. The  
13 department of treasury may review the validity of exemptions for  
14 the current calendar year and for the 3 immediately preceding  
15 calendar years. Except as otherwise provided in subsection (5), if  
16 the department of treasury determines that the property is not the  
17 principal residence of the owner claiming the exemption, the  
18 department shall send a notice of that determination to the local  
19 tax collecting unit and to the owner of the property claiming the  
20 exemption, indicating that the claim for exemption is denied,  
21 stating the reason for the denial, and advising the owner claiming  
22 the exemption of the right to appeal the determination to the  
23 department of treasury and what those rights of appeal are. The  
24 department of treasury may issue a notice denying a claim if an  
25 owner fails to respond within 30 days of receipt of a request for  
26 information from that department. An owner may appeal the denial of  
27 a claim of exemption to the department of treasury within 35 days



1 of receipt of the notice of denial. An appeal to the department of  
2 treasury shall be conducted according to the provisions for an  
3 informal conference in section 21 of 1941 PA 122, MCL 205.21.  
4 Within 10 days after acknowledging an appeal of a denial of a claim  
5 of exemption, the department of treasury shall notify the assessor  
6 and the treasurer for the county in which the property is located  
7 that an appeal has been filed. Upon receipt of a notice that the  
8 department of treasury has denied a claim for exemption, the  
9 assessor shall remove the exemption of the property and, if the tax  
10 roll is in the local tax collecting unit's possession, amend the  
11 tax roll to reflect the denial and the local treasurer shall within  
12 30 days of the date of the denial issue a corrected tax bill for  
13 any additional taxes with interest at the rate of 1.25% per month  
14 or fraction of a month and penalties computed from the date the  
15 taxes were last payable without interest and penalty. If the tax  
16 roll is in the county treasurer's possession, the tax roll shall be  
17 amended to reflect the denial and the county treasurer shall within  
18 30 days of the date of the denial prepare and submit a supplemental  
19 tax bill for any additional taxes, together with interest at the  
20 rate of 1.25% per month or fraction of a month and penalties  
21 computed from the date the taxes were last payable without interest  
22 or penalty. Interest on any tax set forth in a corrected or  
23 supplemental tax bill shall again begin to accrue 60 days after the  
24 date the corrected or supplemental tax bill is issued at the rate  
25 of 1.25% per month or fraction of a month. Taxes levied in a  
26 corrected or supplemental tax bill shall be returned as delinquent  
27 on the March 1 in the year immediately succeeding the year in which

1 the corrected or supplemental tax bill is issued. If the department  
2 of treasury denies an existing claim for exemption, the interest  
3 due shall be distributed as provided in subsection (23). However,  
4 if the property has been transferred to a bona fide purchaser  
5 before additional taxes were billed to the seller as a result of  
6 the denial of a claim for exemption, the taxes, interest, and  
7 penalties shall not be a lien on the property and shall not be  
8 billed to the bona fide purchaser, and the local tax collecting  
9 unit if the local tax collecting unit has possession of the tax  
10 roll or the county treasurer if the county has possession of the  
11 tax roll shall notify the department of treasury of the amount of  
12 tax due and interest through the date of that notification. The  
13 department of treasury shall then assess the owner who claimed the  
14 exemption under this section for the tax and interest plus penalty  
15 accruing as a result of the denial of the claim for exemption, if  
16 any, as for unpaid taxes provided under 1941 PA 122, MCL 205.1 to  
17 205.31, and shall deposit any tax or penalty collected into the  
18 state school aid fund and shall distribute any interest collected  
19 as provided in subsection (23).

20 (9) The department of treasury may enter into an agreement  
21 regarding the implementation or administration of subsection (8)  
22 with the assessor of any local tax collecting unit in a county that  
23 has not elected to audit exemptions claimed under this section as  
24 provided in subsection (10). The agreement may specify that for a  
25 period of time, not to exceed 120 days, the department of treasury  
26 will not deny an exemption identified by the department of treasury  
27 in the list provided under subsection (11).

1           (10) A county may elect to audit the exemptions claimed under  
2 this section in all local tax collecting units located in that  
3 county as provided in this subsection. The election to audit  
4 exemptions shall be made by the county treasurer, or by the county  
5 equalization director with the concurrence by resolution of the  
6 county board of commissioners. The initial election to audit  
7 exemptions shall require an audit period of 2 years. ~~Subsequent~~  
8 **BEFORE 2009, SUBSEQUENT** elections to audit exemptions shall be made  
9 every 2 years and shall require 2 annual audit periods. **BEGINNING**  
10 **IN 2009, A SUBSEQUENT ELECTION TO AUDIT EXEMPTIONS SHALL BE MADE**  
11 **EVERY 5 YEARS AND SHALL REQUIRE 5 ANNUAL AUDIT PERIODS.** An election  
12 to audit exemptions shall be made by submitting an election to  
13 audit form to the assessor of each local tax collecting unit in  
14 that county and to the department of treasury not later than **APRIL**  
15 **1 PRECEDING THE** October 1 in the year in which an election to audit  
16 is made. The election to audit form required under this subsection  
17 shall be in a form prescribed by the department of treasury. If a  
18 county elects to audit the exemptions claimed under this section,  
19 the department of treasury may continue to review the validity of  
20 exemptions as provided in subsection (8). If a county does not  
21 elect to audit the exemptions claimed under this section as  
22 provided in this subsection, the department of treasury shall  
23 conduct an audit of exemptions claimed under this section in the  
24 initial 2-year audit period for each local tax collecting unit in  
25 that county unless the department of treasury has entered into an  
26 agreement with the assessor for that local tax collecting unit  
27 under subsection (9).

1           (11) If a county elects to audit the exemptions claimed under  
2 this section as provided in subsection (10) and the county  
3 treasurer or his or her designee or the county equalization  
4 director or his or her designee believes that the property for  
5 which an exemption is claimed is not the principal residence of the  
6 owner claiming the exemption, the county treasurer or his or her  
7 designee or the county equalization director or his or her designee  
8 may, except as otherwise provided in subsection (5), deny an  
9 existing claim by notifying the owner, the assessor of the local  
10 tax collecting unit, and the department of treasury in writing of  
11 the reason for the denial and advising the owner that the denial  
12 may be appealed to the residential and small claims division of the  
13 Michigan tax tribunal within 35 days after the date of the notice.  
14 The county treasurer or his or her designee or the county  
15 equalization director or his or her designee may deny a claim for  
16 exemption for the current year and for the 3 immediately preceding  
17 calendar years. If the county treasurer or his or her designee or  
18 the county equalization director or his or her designee denies an  
19 existing claim for exemption, the county treasurer or his or her  
20 designee or the county equalization director or his or her designee  
21 shall direct the assessor of the local tax collecting unit in which  
22 the property is located to remove the exemption of the property  
23 from the assessment roll and, if the tax roll is in the local tax  
24 collecting unit's possession, direct the assessor of the local tax  
25 collecting unit to amend the tax roll to reflect the denial and the  
26 treasurer of the local tax collecting unit shall within 30 days of  
27 the date of the denial issue a corrected tax bill for any

1 additional taxes with interest at the rate of 1.25% per month or  
2 fraction of a month and penalties computed from the date the taxes  
3 were last payable without interest and penalty. If the tax roll is  
4 in the county treasurer's possession, the tax roll shall be amended  
5 to reflect the denial and the county treasurer shall within 30 days  
6 of the date of the denial prepare and submit a supplemental tax  
7 bill for any additional taxes, together with interest at the rate  
8 of 1.25% per month or fraction of a month and penalties computed  
9 from the date the taxes were last payable without interest or  
10 penalty. Interest on any tax set forth in a corrected or  
11 supplemental tax bill shall again begin to accrue 60 days after the  
12 date the corrected or supplemental tax bill is issued at the rate  
13 of 1.25% per month or fraction of a month. Taxes levied in a  
14 corrected or supplemental tax bill shall be returned as delinquent  
15 on the March 1 in the year immediately succeeding the year in which  
16 the corrected or supplemental tax bill is issued. If the county  
17 treasurer or his or her designee or the county equalization  
18 director or his or her designee denies an existing claim for  
19 exemption, the interest due shall be distributed as provided in  
20 subsection (23). However, if the property has been transferred to a  
21 bona fide purchaser before additional taxes were billed to the  
22 seller as a result of the denial of a claim for exemption, the  
23 taxes, interest, and penalties shall not be a lien on the property  
24 and shall not be billed to the bona fide purchaser, and the local  
25 tax collecting unit if the local tax collecting unit has possession  
26 of the tax roll or the county treasurer if the county has  
27 possession of the tax roll shall notify the department of treasury

1 of the amount of tax due and interest through the date of that  
2 notification. The department of treasury shall then assess the  
3 owner who claimed the exemption under this section for the tax and  
4 interest plus penalty accruing as a result of the denial of the  
5 claim for exemption, if any, as for unpaid taxes provided under  
6 1941 PA 122, MCL 205.1 to 205.31, and shall deposit any tax or  
7 penalty collected into the state school aid fund and shall  
8 distribute any interest collected as provided in subsection (23).  
9 The department of treasury shall annually provide the county  
10 treasurer or his or her designee or the county equalization  
11 director or his or her designee a list of parcels of property  
12 located in that county for which an exemption may be erroneously  
13 claimed. The county treasurer or his or her designee or the county  
14 equalization director or his or her designee shall forward copies  
15 of the list provided by the department of treasury to each assessor  
16 in each local tax collecting unit in that county within 10 days of  
17 receiving the list.

18 (12) If a county elects to audit exemptions claimed under this  
19 section as provided in subsection (10), the county treasurer or the  
20 county equalization director may enter into an agreement with the  
21 assessor of a local tax collecting unit in that county regarding  
22 the implementation or administration of this section. The agreement  
23 may specify that for a period of time, not to exceed 120 days, the  
24 county will not deny an exemption identified by the department of  
25 treasury in the list provided under subsection (11).

26 (13) An owner may appeal a denial by the assessor of the local  
27 tax collecting unit under subsection (6), a final decision of the

1 department of treasury under subsection (8), or a denial by the  
2 county treasurer or his or her designee or the county equalization  
3 director or his or her designee under subsection (11) to the  
4 residential and small claims division of the Michigan tax tribunal  
5 within 35 days of that decision. An owner is not required to pay  
6 the amount of tax in dispute in order to appeal a denial of a claim  
7 of exemption to the department of treasury or to receive a final  
8 determination of the residential and small claims division of the  
9 Michigan tax tribunal. However, interest at the rate of 1.25% per  
10 month or fraction of a month and penalties shall accrue and be  
11 computed from the date the taxes were last payable without interest  
12 and penalty. If the residential and small claims division of the  
13 Michigan tax tribunal grants an owner's appeal of a denial and that  
14 owner has paid the interest due as a result of a denial under  
15 subsection (6), (8), or (11), the interest received after a  
16 distribution was made under subsection (23) shall be refunded.

17 (14) For taxes levied after December 31, 2005, for each county  
18 in which the county treasurer or the county equalization director  
19 does not elect to audit the exemptions claimed under this section  
20 as provided in subsection (10), the department of treasury shall  
21 conduct an annual audit of exemptions claimed under this section  
22 for the current calendar year.

23 (15) Except as otherwise provided in subsection (5), an  
24 affidavit filed by an owner for the exemption under this section  
25 rescinds all previous exemptions filed by that owner for any other  
26 property. The department of treasury shall notify the assessor of  
27 the local tax collecting unit in which the property for which a

1 previous exemption was claimed is located if the previous exemption  
2 is rescinded by the subsequent affidavit. When an exemption is  
3 rescinded, the assessor of the local tax collecting unit shall  
4 remove the exemption effective December 31 of the year in which the  
5 affidavit was filed that rescinded the exemption. For any year for  
6 which the rescinded exemption has not been removed from the tax  
7 roll, the exemption shall be denied as provided in this section.  
8 However, interest and penalty shall not be imposed for a year for  
9 which a rescission form has been timely filed under subsection (5).

10 (16) Except as otherwise provided in subsection (28), if the  
11 principal residence is part of a unit in a multiple-unit dwelling  
12 or a dwelling unit in a multiple-purpose structure, an owner shall  
13 claim an exemption for only that portion of the total taxable value  
14 of the property used as the principal residence of that owner in a  
15 manner prescribed by the department of treasury. If a portion of a  
16 parcel for which the owner claims an exemption is used for a  
17 purpose other than as a principal residence, the owner shall claim  
18 an exemption for only that portion of the taxable value of the  
19 property used as the principal residence of that owner in a manner  
20 prescribed by the department of treasury.

21 (17) When a county register of deeds records a transfer of  
22 ownership of a property, he or she shall notify the local tax  
23 collecting unit in which the property is located of the transfer.

24 (18) The department of treasury shall make available the  
25 affidavit forms and the forms to rescind an exemption, which may be  
26 on the same form, to all city and township assessors, county  
27 equalization officers, county registers of deeds, and closing



1 agents. A person who prepares a closing statement for the sale of  
2 property shall provide affidavit and rescission forms to the buyer  
3 and seller at the closing and, if requested by the buyer or seller  
4 after execution by the buyer or seller, shall file the forms with  
5 the local tax collecting unit in which the property is located. If  
6 a closing statement preparer fails to provide exemption affidavit  
7 and rescission forms to the buyer and seller, or fails to file the  
8 affidavit and rescission forms with the local tax collecting unit  
9 if requested by the buyer or seller, the buyer may appeal to the  
10 department of treasury within 30 days of notice to the buyer that  
11 an exemption was not recorded. If the department of treasury  
12 determines that the buyer qualifies for the exemption, the  
13 department of treasury shall notify the assessor of the local tax  
14 collecting unit that the exemption is granted and the assessor of  
15 the local tax collecting unit or, if the tax roll is in the  
16 possession of the county treasurer, the county treasurer shall  
17 correct the tax roll to reflect the exemption. This subsection does  
18 not create a cause of action at law or in equity against a closing  
19 statement preparer who fails to provide exemption affidavit and  
20 rescission forms to a buyer and seller or who fails to file the  
21 affidavit and rescission forms with the local tax collecting unit  
22 when requested to do so by the buyer or seller.

23 (19) An owner who owned and occupied a principal residence on  
24 May 1 for which the exemption was not on the tax roll may file an  
25 appeal with the July board of review or December board of review in  
26 the year for which the exemption was claimed or the immediately  
27 succeeding 3 years. If an appeal of a claim for exemption that was

1 not on the tax roll is received not later than 5 days prior to the  
2 date of the December board of review, the local tax collecting unit  
3 shall convene a December board of review and consider the appeal  
4 pursuant to this section and section 53b.

5 (20) If the assessor or treasurer of the local tax collecting  
6 unit believes that the department of treasury erroneously denied a  
7 claim for exemption, the assessor or treasurer may submit written  
8 information supporting the owner's claim for exemption to the  
9 department of treasury within 35 days of the owner's receipt of the  
10 notice denying the claim for exemption. If, after reviewing the  
11 information provided, the department of treasury determines that  
12 the claim for exemption was erroneously denied, the department of  
13 treasury shall grant the exemption and the tax roll shall be  
14 amended to reflect the exemption.

15 (21) If granting the exemption under this section results in  
16 an overpayment of the tax, a rebate, including any interest paid,  
17 shall be made to the taxpayer by the local tax collecting unit if  
18 the local tax collecting unit has possession of the tax roll or by  
19 the county treasurer if the county has possession of the tax roll  
20 within 30 days of the date the exemption is granted. The rebate  
21 shall be without interest.

22 (22) If an exemption under this section is erroneously granted  
23 for an affidavit filed before October 1, 2003, an owner may request  
24 in writing that the department of treasury withdraw the exemption.  
25 The request to withdraw the exemption shall be received not later  
26 than November 1, 2003. If an owner requests that an exemption be  
27 withdrawn, the department of treasury shall issue an order

1 notifying the local assessor that the exemption issued under this  
2 section has been denied based on the owner's request. If an  
3 exemption is withdrawn, the property that had been subject to that  
4 exemption shall be immediately placed on the tax roll by the local  
5 tax collecting unit if the local tax collecting unit has possession  
6 of the tax roll or by the county treasurer if the county has  
7 possession of the tax roll as though the exemption had not been  
8 granted. A corrected tax bill shall be issued for the tax year  
9 being adjusted by the local tax collecting unit if the local tax  
10 collecting unit has possession of the tax roll or by the county  
11 treasurer if the county has possession of the tax roll. Unless a  
12 denial has been issued prior to July 1, 2003, if an owner requests  
13 that an exemption under this section be withdrawn and that owner  
14 pays the corrected tax bill issued under this subsection within 30  
15 days after the corrected tax bill is issued, that owner is not  
16 liable for any penalty or interest on the additional tax. An owner  
17 who pays a corrected tax bill issued under this subsection more  
18 than 30 days after the corrected tax bill is issued is liable for  
19 the penalties and interest that would have accrued if the exemption  
20 had not been granted from the date the taxes were originally  
21 levied.

22 (23) Subject to subsection (24), interest at the rate of 1.25%  
23 per month or fraction of a month collected under subsection (6),  
24 (8), or (11) shall be distributed as follows:

25 (a) If the assessor of the local tax collecting unit denies  
26 the exemption under this section, as follows:

27 (i) To the local tax collecting unit, 70%.

1           (ii) To the department of treasury, 10%.

2           (iii) To the county in which the property is located, 20%.

3           (b) If the department of treasury denies the exemption under  
4 this section, as follows:

5           (i) To the local tax collecting unit, 20%.

6           (ii) To the department of treasury, 70%.

7           (iii) To the county in which the property is located, 10%.

8           (c) If the county treasurer or his or her designee or the  
9 county equalization director or his or her designee denies the  
10 exemption under this section, as follows:

11           (i) To the local tax collecting unit, 20%.

12           (ii) To the department of treasury, 10%.

13           (iii) To the county in which the property is located, 70%.

14           (24) Interest distributed under subsection (23) is subject to  
15 the following conditions:

16           (a) Interest distributed to a county shall be deposited into a  
17 restricted fund to be used solely for the administration of  
18 exemptions under this section. Money in that restricted fund shall  
19 lapse to the county general fund on the December 31 in the year 3  
20 years after the first distribution of interest to the county under  
21 subsection (23) and on each succeeding December 31 thereafter.

22           (b) Interest distributed to the department of treasury shall  
23 be deposited into the principal residence property tax exemption  
24 audit fund, which is created within the state treasury. The state  
25 treasurer may receive money or other assets from any source for  
26 deposit into the fund. The state treasurer shall direct the  
27 investment of the fund. The state treasurer shall credit to the

1 fund interest and earnings from fund investments. Money in the fund  
2 shall be considered a work project account and at the close of the  
3 fiscal year shall remain in the fund and shall not lapse to the  
4 general fund. Money from the fund shall be expended, upon  
5 appropriation, only for the purpose of auditing exemption  
6 affidavits.

7 (25) Interest distributed under subsection (23) is in addition  
8 to and shall not affect the levy or collection of the county  
9 property tax administration fee established under this act.

10 (26) A cooperative housing corporation is entitled to a full  
11 or partial exemption under this section for the tax year in which  
12 the cooperative housing corporation files all of the following with  
13 the local tax collecting unit in which the cooperative housing  
14 corporation is located if filed on or before May 1:

15 (a) An affidavit form.

16 (b) A statement of the total number of units owned by the  
17 cooperative housing corporation and occupied as the principal  
18 residence of a tenant stockholder as of the date of the filing  
19 under this subsection.

20 (c) A list that includes the name, address, and social  
21 security number of each tenant stockholder of the cooperative  
22 housing corporation occupying a unit in the cooperative housing  
23 corporation as his or her principal residence as of the date of the  
24 filing under this subsection.

25 (d) A statement of the total number of units of the  
26 cooperative housing corporation on which an exemption under this  
27 section was claimed and that were transferred in the tax year

1 immediately preceding the tax year in which the filing under this  
2 section was made.

3 (27) Before May 1, 2004 and before May 1, 2005, the treasurer  
4 of each county shall forward to the department of education a  
5 statement of the taxable value of each school district and fraction  
6 of a school district within the county for the preceding 4 calendar  
7 years. This requirement is in addition to the requirement set forth  
8 in section 151 of the state school aid act of 1979, 1979 PA 94, MCL  
9 388.1751.

10 (28) For a parcel of property open and available for use as a  
11 bed and breakfast, the portion of the taxable value of the property  
12 used as a principal residence under subsection (16) shall be  
13 calculated in the following manner:

14 (a) Add all of the following:

15 (i) The square footage of the property used exclusively as that  
16 owner's principal residence.

17 (ii) 50% of the square footage of the property's common area.

18 (iii) If the property was not open and available for use as a  
19 bed and breakfast for 90 or more consecutive days in the  
20 immediately preceding 12-month period, the result of the following  
21 calculation:

22 (A) Add the square footage of the property that is open and  
23 available regularly and exclusively as a bed and breakfast, and 50%  
24 of the square footage of the property's common area.

25 (B) Multiply the result of the calculation in sub-subparagraph  
26 (A) by a fraction, the numerator of which is the number of  
27 consecutive days in the immediately preceding 12-month period that

1 the property was not open and available for use as a bed and  
2 breakfast and the denominator of which is 365.

3 (b) Divide the result of the calculation in subdivision (a) by  
4 the total square footage of the property.

5 (29) The owner claiming an exemption under this section for  
6 property open and available as a bed and breakfast shall file an  
7 affidavit claiming the exemption on or before May 1 with the local  
8 tax collecting unit in which the property is located. The affidavit  
9 shall be in a form prescribed by the department of treasury.

10 (30) As used in this section:

11 (a) "Bed and breakfast" means property classified as  
12 residential real property under section 34c that meets all of the  
13 following criteria:

14 (i) Has 10 or fewer sleeping rooms, including sleeping rooms  
15 occupied by the owner of the property, 1 or more of which are  
16 available for rent to transient tenants.

17 (ii) Serves meals at no extra cost to its transient tenants.

18 (iii) Has a smoke detector in proper working order in each  
19 sleeping room and a fire extinguisher in proper working order on  
20 each floor.

21 (b) "Common area" includes, but is not limited to, a kitchen,  
22 dining room, living room, fitness room, porch, hallway, laundry  
23 room, or bathroom that is available for use by guests of a bed and  
24 breakfast or, unless guests are specifically prohibited from access  
25 to the area, an area that is used to provide a service to guests of  
26 a bed and breakfast.