

NONPROFIT HOUSING

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Senate Bill 887

Sponsor: Sen. Mark Jansen

House Committee: Tax Policy

Senate Committee: Finance

Complete to 2-9-10

A SUMMARY OF SENATE BILL 887 AS PASSED BY THE SENATE 1-13-10

The General Property Tax Act contains a tax exemption for nonprofit housing for the elderly or disabled. The exemption is granted by the local assessor. There is a process in the act by which the state government makes a payment in lieu of taxes to a local unit for revenue lost due to the exemption, except for state and local school operating taxes. The bill, as written, has an effective date of December 31, 2009.

Senate Bill 887 would amend Section 7d of the General Property Tax Act to revise provisions dealing with this exemption. The bill's aim is to streamline the process for claiming an exemption by eliminating the requirement that property owners file annual affidavits and eliminating the requirement that local collecting officers file statements and recalculate the amount of payments each year. Instead, the state treasurer would send the same amount of payments in lieu of taxes each year for property exempt before 2009, based on the amount of taxes paid in 2008. For newly exempt property or new construction, the exemption would be based on the tax liability in the first year that the exemption was valid. As a result of the proposed amendments, the amount of payments would not have to be adjusted every year. (The bill strikes an incorrect reference currently in the act that reportedly now makes the annual calculation of payments by the Department of Treasury problematic.)

Other provisions in the bill include:

-- The Department of Treasury could deny an exemption. Currently, after approving or disapproving a property owner's claim for exemption, the local assessor must notify the owner of the approval or disapproval. Under the bill, the assessor also would have to notify the Department of Treasury, which could deny an exemption.

-- The state treasurer would have the authority to prorate payments if appropriations were insufficient to make full payments. (The act requires the treasurer to estimate the amount needed and the Legislature is to appropriate the necessary amount.) Payments would be made to the local tax collecting unit by December 15 each year, and the Treasury Department could require local units to accept payments by electronic fund transfer.

-- The department would be given standing to appeal issues concerning tax liability for exempt property in the Michigan Tax Tribunal and state courts. (This would include assessed value, taxable value, state equalized valuation, exempt status, and classification issues, among others.)

-- The owner of exempt property would have to notify the local tax collecting unit and the Treasury Department of any change in the property that would affect the exemption.

MCL 211.7d

FISCAL IMPACT:

As written, the bill would not have a significant State or local fiscal impact.

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■ 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.