

Legislative Analysis



PRINCIPAL RESIDENCE EXEMPTION FOR CONTIGUOUS TIMBER-CUTOVER PROPERTY

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House Bill 4200

Sponsor: Rep. Michael Lahti

Committee: Tax Policy

Complete to 3-3-09

A SUMMARY OF HOUSE BILL 4200 AS INTRODUCED 2-5-09

Under the General Property Tax Act (MCL 211.7cc and 211.7dd), an individual's principal residence is exempt from the 18-mills levied as school operating taxes. The act extends the principal residence exemption to include any unoccupied *residential* property that adjoins or is contiguous to the principal residence.

House Bill 4200 would also extend the principal residence exemption to include any unoccupied *timber-cutover* property that adjoins or is contiguous to an individual's principal residence, retroactive to December 31, 2005. The bill specifies that, in 2009 only, an owner of such timber cutover who did not claim an exemption before May 1, 2009 (or whose timely filed claim was denied) may file an appeal with the July 2009 or December 2009 Board of Review to claim a principal residence exemption (as specified above) for timber-cutover property in the 2006-2008 tax years. If an exemption for the 2006-2008 tax years is granted, the tax roll would be corrected, and any penalties, interest, and back taxes due for the 2006-2008 years would be waived. [Generally under the act, a property owner must file an affidavit claiming a principal residence exemption on or before May 1.]

Under the act, real property may be assessed as one of six classifications: (1) agricultural; (2) commercial; (3) developmental; (4) industrial; (5) residential; or (6) timber-cutover. Timber-cutover property includes "parcels that are stocked with forest products of merchantable type and size, cutover forest land with little or no merchantable products, and marsh lands or other barren land. However, when a typical purchase of this type of land is for residential or recreational uses, the classification shall be changed to residential."

FISCAL IMPACT:

The bill is not expected to have a significant impact on state or local revenue. According to the State Tax Commission, the taxable value of all property classified as timber cutover property in 2008 was \$137.1 million. If all of this property qualified for the 18-mill homestead exemption, the resultant loss of revenue would be about \$2.5 million. This would reduce local funding to local schools by that amount, and the School Aid Fund would have to either to make up the difference or reduce the foundation allowance to account for the revenue reduction.

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