

Legislative Analysis



POP-UP EXEMPTION: EMINENT DOMAIN

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House Bill 5581

Sponsor: Rep. Douglas Geiss

Committee: Tax Policy

Complete to 4-26-10

A SUMMARY OF HOUSE BILL 5581 AS INTRODUCED 11-10-09

Generally speaking, the increase in the assessment of a parcel of real property cannot increase from one year to the next by more than the rate of inflation or five percent, whichever is less. However, when property is sold or transferred, its valuation returns (or "pops up") to 50 percent of the market value. At that point, the assessment cap once again begins to apply, this time to the readjusted assessment. The General Property Tax Act contains a definition of what constitutes a "transfer" for the purpose of the "pop-up" and contains a list of transactions that are not considered transfers.

House Bill 5581 would amend the General Property Tax Act (MCL 211.27a) to provide a new exemption from the "pop-up." The bill appears to allow a person whose previous principal residence was taken by eminent domain to acquire a new residence without that new residence being subject to the "pop-up" when that person acquires it.

Specifically, the bill exempts the transfer of real property if all of the following requirements are satisfied:

** Prior to the transfer, the transferee had claimed a principal residence exemption for real property.

** Prior to the transfer, the transferee's principal residence was acquired by the state or a political subdivision of the state by eminent domain.

** The real property is located in the same tax collecting unit as the property taken by eminent domain and was transferred to the transferee, and the transferee claims a principal residence exemption for that real property.

FISCAL IMPACT:

The bill would reduce state and local tax revenue by an unknown amount. By exempting the newly acquired property from reassessment, any potential increase in State Education Tax revenue (which is constitutionally dedicated to the School Aid Fund) would not be realized. Similarly, local tax revenue would also not increase to the same extent as if the property were reassessed.

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