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BILL ANALYSIS

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Senate Bill 282 (Substitute S-1 as reported by the Committee of the Whole)
Senate Bill 367 (as reported without amendment)
Sponsor: Senator Alan Sanborn (S.B. 282)
Senator Dennis Olshove (S.B. 367)
Committee: Finance

CONTENT

Senate Bill 282 (S-1) would amend the General Property Tax Act to allow a property owner who was residing in a life care facility registered under the Living Care Disclosure Act or in an adult foster care facility, home for the aged, nursing home, independent senior apartment, or housing with services establishment, to retain an exemption on property previously exempt as his or her principal residence if that property were not occupied, not leased, and not used for any business or commercial purpose. By May 1, the owner would have to file with the local tax collecting unit a conditional rescission form prescribed by the Department of Treasury.

Also, if a property owner were living in a registered life care facility, he or she could claim an exemption for that facility as provided in the General Property Tax Act.

Under the Act, a principal residence is exempt from the tax levied by a school district for school operating purposes to the extent provided under the Revised School Code. To claim the exemption, a property owner must file an affidavit with the local tax collecting unit. If an owner is eligible for and claims an exemption for his or her current principal residence, he or she may retain an exemption for up to three tax years on property previously exempt as his or her principal residence if that property is not occupied, is for sale, is not leased, and is not used for any business or commercial purpose. To retain the exemption, the owner must file a conditional rescission form with the local tax collecting unit.

Senate Bill 367 would amend the General Property Tax Act to define "assisted living facility" as a licensed adult foster care facility or home for the aged. The bill is tie-barred to Senate Bill 282.

MCL 211.7cc (S.B. 282) Legislative Analyst: Craig Laurie
MCL 211.7dd (S.B. 367)

FISCAL IMPACT

Senate Bill 282 (S-1) would reduce local property tax revenue and increase School Aid Fund expenditures by an unknown amount, depending upon the specific characteristics of property affected by the bill. For a home with a taxable value of $50,000, the bill would reduce local school property taxes and increase School Aid Fund expenditures by $900. Current Michigan Department of Treasury guidelines allow homeowners who are not residing in their home, particularly due to health reasons, to maintain an exemption under certain circumstances, although frequently these circumstances are not met if there is no intent to return home or the home is rented. It is unknown how many properties would retain principal residence status under the conditions specified in the bill, or the taxable value of those properties.

Nationally, approximately 80% of individuals age 65 and older own their home. Without respect to age, Michigan homeownership rates are above the national average. Michigan's over-65 population totals approximately 1.3 million, of which approximately 40,000 reside in assisted living facilities. It is not known what percentage of those residing in assisted living facilities own a home, or would retain their home under the bill. If 15% of those residents retained their home and claimed the exemption under the bill, and the taxable value of those homes averaged $50,000, the bill would reduce local school property taxes, and increase School Aid Fund expenditures, by $5.4 million per year.

Senate Bill 367 would have no fiscal impact independent of Senate Bill 282.

Date Completed: 5-13-09 Fiscal Analyst: David Zin