Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 282 (as introduced 3-3-09)
Senate Bill 367 (as introduced 3-12-09)
Sponsor: Senator Alan Sanborn (S.B. 282)
Senator Dennis Olshove (S.B. 367)
Committee: Finance

Date Completed: 3-30-09

CONTENT

Senate Bill 282 would amend the General Property Tax Act to allow an owner who was residing in an assisted living facility or nursing home 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.

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.

Senate Bill 367 is tie-barred to Senate Bill 282. Senate Bill 282 is described in detail below.

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, an owner of property must file an affidavit by May 1 with the local tax collecting unit in which the property is located. The affidavit must state that the property is owned and occupied as a principal residence by that property owner.

Within 90 days after exempted property is no longer used as a principal residence by the owner claiming an exemption, he or she must rescind the claim of exemption by filing a rescission form 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. The owner may retain the exemption by filing a conditional rescission form with the local tax collecting unit by May 1.

Under the bill, if an owner were residing in an assisted living facility or nursing home, he or she also could 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 filing a conditional rescission form prescribed by the Department of Treasury with the local tax collecting unit by May 1.

"Assisted living facility" would mean a licensed adult foster care facility or home for the aged.

MCL 211.7cc (S.B. 282)
MCL 211.7dd (S.B. 367)

BACKGROUND

Under the General Property Tax Act, property is eligible for a conditional rescission if that property is available for lease and all other conditions are met. An owner who files a conditional rescission form must annually verify to the assessor of the local tax collecting by December 31 that the property for which the principal residence exemption is retained is not occupied, is for sale, is not leased, and is not used for any business or commercial purpose. If an owner does not annually verify this information by December 31, the assessor must deny the principal residence exemption on that property. If property subject to a conditional rescission is leased, the local tax collecting unit must deny that conditional rescission and the denial is retroactive and is effective on December 31 of the year immediately preceding the year in which the property subject to the conditional rescission is leased. An owner who fails to file a rescission as required is subject to a penalty of $5 per day for each separate failure beginning after the 90 days have elapsed, up to $200.

The Act defines "principal residence" as the one place where an owner of the property has his or her true, fixed, and permanent home to which, whenever absent, he or she intends to return and that continues as a principal residence until another principal residence is established. Principal residence includes all of an owner's unoccupied property classified as residential that is adjoining or contiguous to the dwelling subject to ad valorem taxes and that is owned and occupied by the owner. Principal residence includes only that portion of a dwelling or unit in a multiple-unit dwelling that is subject to ad valorem taxes and that is owned and occupied by an owner of the dwelling or unit. Principal residence includes any portion of a dwelling or unit of an owner that is rented or leased to another person as a residence as long as the rented or leased portion of the dwelling or unit is less than 50% of the total square footage of living space in that dwelling or unit.

Legislative Analyst: Craig Laurie

FISCAL IMPACT

Senate Bill 282 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.

Fiscal Analyst: David Zin

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