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 283 (as reported by the Committee of the Whole)
Sponsor: Senator Ron Jelinek
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to specify that the purchase price paid in a transfer of eligible nonprofit housing property from a charitable nonprofit housing organization to a low-income person would be the presumptive true cash value of the property transferred.

The Act states that the purchase price paid in a transfer of property is not the presumptive true cash value of the property transferred. The bill would make an exception to this, as described above, for taxes levied after December 31, 2008.

In the year following the year in which the transfer took place and each subsequent year, the taxable value of the eligible nonprofit housing property would have to be adjusted as provided in Section 27a. (Under that section, the taxable value of a parcel of property is the lesser of 1) its current State equalized valuation (which is 50% of true cash value), or 2) its taxable value in the preceding year minus any losses, multiplied by the lesser of 1.05 or the inflation rate, plus all additions. Upon a transfer of ownership, the property's taxable value for the year following the year of transfer is the property's State equalized valuation for the year following the transfer.)

The bill would define "charitable nonprofit housing organization" as a charitable nonprofit organization whose primary purpose is the construction or renovation of residential housing for conveyance to a low-income person. "Eligible nonprofit housing property" would mean property owned by a charitable nonprofit housing organization that intends to transfer ownership of the property to a low-income person after construction or renovation of the property is completed. "Low-income person" would mean an person with a family income of not more than 60% of the statewide median gross income who is eligible to participate in the charitable nonprofit housing organization's program based on criteria established by the organization.

MCL 211.27 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce State and local property tax revenue by between an estimated $0.1 million and $0.2 million in the first year the bill was effective. However, the effect of the bill would cumulate as long as affected properties were not sold. As a result, within five years, the bill would lower State and local property tax revenue by approximately $1.0 million. The actual amount of reduced revenue in any given year would depend on the specific characteristics of the affected properties, including the applicable tax rates and the sales price of affected properties relative to their market value.

Most residents of affected properties are likely eligible to receive a homestead property tax credit, which is given for the portion of property taxes (up to $1,200) that exceed 3.5% of household income. Based on average values for affected properties and average homestead property tax rates, the taxpayers would likely qualify for property tax credits averaging between $400 and $1,200 per year. To the extent that affected property owners would receive less in credits as a result of the bill, income tax revenue could be higher. Furthermore, to the extent that homestead property tax credits were reduced, it would be a dollar-for-dollar offset for the lower property taxes, resulting in no net effect on property owners, although local and State property tax revenue would still be reduced.

Date Completed: 11-2-09 Fiscal Analyst: David Zin