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BILL ANALYSIS

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Senate Bill 283 (as introduced 3-3-09)
Sponsor: Senator Ron Jelinek
Committee: Finance

Date Completed: 10-15-09

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.

As used in the current provision, "purchase price" means the total consideration agreed to in an arms-length transaction and not at a forced sale paid by the purchaser of the property. This definition also would apply to the provision in the bill.

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.

(The Act defines "true cash value" as the usual selling price at the place where the property to which the term is applied is at the time of assessment, being the price that could be obtained for the property at private sale, and not at auction sale except as otherwise provided, or at forced sale.)

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.

Fiscal Analyst: David Zin

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