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House Bill 4200 (Substitute S-1 as reported by the Committee of the Whole)

Sponsor: Representative Michael Lahti

House Committee: Tax Policy Senate Committee: Finance

## **CONTENT**

The bill would amend the General Property Tax Act to do the following:

- -- Extend the principal residence exemption to unoccupied timber-cutover property adjoining or contiguous to the property owner's dwelling, beginning December 31, 2007.
- -- Allow an owner of timber-cutover property adjoining a dwelling who did not claim a principal residence exemption for that property, or whose claim was denied, before May 1, 2009, to file an appeal with the December 2009 or July 2010 board of review to claim an exemption for the 2008 and 2009 tax years.
- -- Provide that, if the exemption were granted for the 2008 or 2009 tax year, the tax roll would have to be corrected and any penalty, interest, or tax resulting from the property's not being exempt would have to be waived.

The bill also would allow the Department of Treasury to waive interest on any tax set forth in a corrected or supplemental tax bill for the current tax year and the three prior tax years if the local assessor filed an affidavit stating that the tax was a result of the assessor's classification error or other error or the assessor's failure to rescind an exemption after the owner requested that the exemption be rescinded.

The bill would be retroactive and effective for the 2008 tax year.

MCL 211.7cc & 211.7dd Legislative Analyst: Suzanne Lowe

## **FISCAL IMPACT**

The bill would increase School Aid Fund expenditures by an unknown and potentially negligible amount. In 2009, the taxable value for all property classified as timber-cutover totaled \$136.1 million. The portion of this value that would be affected by the bill is unknown, but if all of it were affected, the impact would be less than \$2.5 million per tax year affected. While the bill would reduce local unit property tax revenue, School Aid Fund expenditures would increase in order to maintain per-pupil funding guarantees.

The changes allowing the Department of Treasury to waive interest would decrease State and local revenue by an unknown amount, depending on the specific characteristics of the property affected by the changes and whether the Department chose to waive the interest. It is unclear if the changes would affect tax liabilities related only to the principal residence exemption, the provision that would be amended; or any property tax levies potentially contained in a tax bill, as the language of the changes might suggest.

Date Completed: 2-24-10 Fiscal Analyst: David Zin