



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

House Bill 4200 (as passed by the House) Sponsor: Representative Michael Lahti

House Committee: Tax Policy Senate Committee: Finance

Date Completed: 12-3-09

CONTENT

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

- -- Extend the principal residence exemption to timber-cutover property adjoining a dwelling, beginning December 31, 2005.
- -- Allow an owner of timber-cutover property adjoining a dwelling who did not claim an exemption for that property, or whose claim was denied, before May 1, 2009, to file an appeal to claim an exemption for the 2006, 2007, and 2008 tax years.
- -- Provide that, if the exemption were granted, any penalty, interest, or tax resulting from the property's not being exempt would have to be waived.

The bill would be retroactive and effective for the 2006, 2007, and 2008 tax years.

Under Section 7cc of the Act, a principal residence is exempt from the tax levied by a local school district for school operating purposes to the extent provided in the Revised School Code, if the owner of the principal residence claims an exemption as required by the Act. 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. Except as otherwise provided, the term includes only that portion of a dwelling that is subject to ad valorem taxes and that is owned and occupied by an owner of the dwelling. It also includes all of an owner's unoccupied property classified as residential that is adjoining or contiguous to the dwelling, and other property described in the Act.

Under the bill, beginning December 31, 2005, "principal residence" also would include all of an owner's unoccupied property classified as timber-cutover real property under Section 34c of the Act that is adjoining or contiguous to the dwelling subject to ad valorem taxes and that is owned and occupied by the owner. (Section 34c, which lists the classifications of assessable property, states that timber-cutover real property includes parcels that are stocked with forest products of merchantable type and size, cutover forest land with little or no merchantable products, and marsh land or other barren land. When a typical purchase of this type of land is for residential or recreational uses, the classification must be changed to residential.)

For the 2009 tax year only, if an owner of property classified as timber-cutover real property adjoining or contiguous to the owner's principal residence did not claim an exemption for the property classified as timber-cutover under Section 7cc before May 1,

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2009, or if the owner's claim for exemption under Section 7cc for that property were denied before May 1, 2009, the owner could file an appeal with the July or December 2009 board of review to claim a principal residence exemption for the property classified as timber-cutover real property for the 2006, 2007, and 2008 tax years.

If an exemption were granted for the 2006, 2007, or 2008 tax year, the tax roll would have to be corrected and any delinquent and unpaid penalty, interest, and tax resulting from the property's not having been exempt under Section 7cc for that tax year would have to be waived.

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. While the bill would reduce local unit property tax revenue, School Aid Fund expenditures would increase in order to maintain per-pupil funding guarantees.

Fiscal Analyst: David Zin

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.