

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 77

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 7cc (MCL 211.7cc), as amended by 2010 PA 17.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 7cc. (1) A principal residence is exempt from the tax
2 levied by a local school district for school operating purposes to
3 the extent provided under section 1211 of the revised school code,
4 1976 PA 451, MCL 380.1211, if an owner of that principal residence
5 claims an exemption as provided in this section. Notwithstanding
6 the tax day provided in section 2, the status of property as a
7 principal residence shall be determined on the date an affidavit
8 claiming an exemption is filed under subsection (2).

9 (2) Except as otherwise provided in subsection (5), an owner

1 of property may claim 1 exemption under this section by filing an
2 affidavit on or before May 1 with the local tax collecting unit in
3 which the property is located. The affidavit shall state that the
4 property is owned and occupied as a principal residence by that
5 owner of the property on the date that the affidavit is signed. The
6 affidavit shall be on a form prescribed by the department of
7 treasury. One copy of the affidavit shall be retained by the owner,
8 1 copy shall be retained by the local tax collecting unit until any
9 appeal or audit period under this act has expired, and 1 copy shall
10 be forwarded to the department of treasury pursuant to subsection
11 (4), together with all information submitted under subsection (26)
12 for a cooperative housing corporation. The affidavit shall require
13 the owner claiming the exemption to indicate if that owner or that
14 owner's spouse has claimed another exemption on property in this
15 state that is not rescinded or a substantially similar exemption,
16 deduction, or credit on property in another state that is not
17 rescinded. If the affidavit requires an owner to include a social
18 security number, that owner's number is subject to the disclosure
19 restrictions in 1941 PA 122, MCL 205.1 to 205.31. If an owner of
20 property filed an affidavit for an exemption under this section
21 before January 1, 2004, that affidavit shall be considered the
22 affidavit required under this subsection for a principal residence
23 exemption and that exemption shall remain in effect until rescinded
24 as provided in this section.

25 (3) Except as otherwise provided in subsection (5), a husband
26 and wife who are required to file or who do file a joint Michigan
27 income tax return are entitled to not more than 1 exemption under

1 this section. For taxes levied after December 31, 2002, a person is
2 not entitled to an exemption under this section if any of the
3 following conditions occur:

4 (a) That person has claimed a substantially similar exemption,
5 deduction, or credit on property in another state that is not
6 rescinded.

7 (b) Subject to subdivision (a), that person or his or her
8 spouse owns property in a state other than this state for which
9 that person or his or her spouse claims an exemption, deduction, or
10 credit substantially similar to the exemption provided under this
11 section, unless that person and his or her spouse file separate
12 income tax returns.

13 (c) That person has filed a nonresident Michigan income tax
14 return, except active duty military personnel stationed in this
15 state with his or her principal residence in this state.

16 (d) That person has filed an income tax return in a state
17 other than this state as a resident, except active duty military
18 personnel stationed in this state with his or her principal
19 residence in this state.

20 (e) That person has previously rescinded an exemption under
21 this section for the same property for which an exemption is now
22 claimed and there has not been a transfer of ownership of that
23 property after the previous exemption was rescinded, if either of
24 the following conditions is satisfied:

25 (i) That person has claimed an exemption under this section for
26 any other property for that tax year.

27 (ii) That person has rescinded an exemption under this section

1 on other property, which exemption remains in effect for that tax
2 year, and there has not been a transfer of ownership of that
3 property.

4 (4) Upon receipt of an affidavit filed under subsection (2)
5 and unless the claim is denied under this section, the assessor
6 shall exempt the property from the collection of the tax levied by
7 a local school district for school operating purposes to the extent
8 provided under section 1211 of the revised school code, 1976 PA
9 451, MCL 380.1211, as provided in subsection (1) until December 31
10 of the year in which the property is transferred or, except as
11 otherwise provided in subsection (5), is no longer a principal
12 residence as defined in section 7dd. The local tax collecting unit
13 shall forward copies of affidavits to the department of treasury
14 according to a schedule prescribed by the department of treasury.

15 (5) ~~Not~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, NOT**
16 more than 90 days after exempted property is no longer used as a
17 principal residence by the owner claiming an exemption, that owner
18 shall rescind the claim of exemption by filing with the local tax
19 collecting unit a rescission form prescribed by the department of
20 treasury. ~~However, if~~ **IF** an owner is eligible for and claims an
21 exemption for that owner's current principal residence, that owner
22 may retain an exemption for not more than 3 tax years on property
23 previously exempt as his or her principal residence if that
24 property is not occupied, is for sale, is not leased, and is not
25 used for any business or commercial purpose by filing a conditional
26 rescission form prescribed by the department of treasury on or
27 before May 1 with the local tax collecting unit. **BEGINNING IN THE**

1 2011 TAX YEAR THROUGH THE 2014 TAX YEAR, SUBJECT TO THE PAYMENT
 2 REQUIREMENT SET FORTH IN THIS SUBSECTION, IF A LAND CONTRACT
 3 VENDOR, BANK, CREDIT UNION, OR OTHER LENDING INSTITUTION OWNS
 4 PROPERTY AS A RESULT OF HAVING FORECLOSED ON THAT PROPERTY AND THAT
 5 PROPERTY HAD BEEN EXEMPT UNDER THIS SECTION IMMEDIATELY PRECEDING
 6 THE FORECLOSURE, THAT LAND CONTRACT VENDOR, BANK, CREDIT UNION, OR
 7 OTHER LENDING INSTITUTION MAY RETAIN AN EXEMPTION ON THAT PROPERTY
 8 UNDER THIS SECTION FOR NOT MORE THAN 3 TAX YEARS AND NOT AFTER
 9 DECEMBER 31, 2014 IF THAT PROPERTY IS NOT OCCUPIED, IS FOR SALE, IS
 10 NOT LEASED TO ANY PERSON OTHER THAN THE PERSON WHO CLAIMED THE
 11 EXEMPTION UNDER THIS SECTION IMMEDIATELY PRECEDING THE FORECLOSURE,
 12 AND IS NOT USED FOR ANY BUSINESS OR COMMERCIAL PURPOSE. A LAND
 13 CONTRACT VENDOR, BANK, CREDIT UNION, OR OTHER LENDING INSTITUTION
 14 MAY CLAIM AN EXEMPTION UNDER THIS SUBSECTION BY FILING A
 15 CONDITIONAL RESCISSION FORM PRESCRIBED BY THE DEPARTMENT OF
 16 TREASURY ON OR BEFORE MAY 1 WITH THE LOCAL TAX COLLECTING UNIT.
 17 Property is eligible for a conditional rescission if that property
 18 is available for lease and all other conditions under this
 19 subsection are met. A copy of ~~the~~ **A** conditional rescission form
 20 shall be forwarded to the department of treasury according to a
 21 schedule prescribed by the department of treasury. An owner ~~who~~ **OR**
 22 **A LAND CONTRACT VENDOR, BANK, CREDIT UNION, OR OTHER LENDING**
 23 **INSTITUTION THAT** files a conditional rescission form shall annually
 24 verify to the assessor of the local tax collecting unit on or
 25 before December 31 that the property for which the principal
 26 residence exemption is retained is not occupied, is for sale, is
 27 not leased **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION**, and is not

1 used for any business or commercial purpose. If an owner **OR A LAND**
2 **CONTRACT VENDOR, BANK, CREDIT UNION, OR OTHER LENDING INSTITUTION**
3 does not annually verify by December 31 that the property for which
4 the principal residence exemption is retained is not occupied, is
5 for sale, is not leased **EXCEPT AS OTHERWISE PROVIDED IN THIS**
6 **SECTION**, and is not used for any business or commercial purpose,
7 the assessor of the local tax collecting unit shall deny the
8 principal residence exemption on that property. ~~If~~**EXCEPT AS**
9 **OTHERWISE PROVIDED IN THIS SECTION**, property subject to a
10 conditional rescission is leased, the local tax collecting unit
11 shall deny that conditional rescission and that denial is
12 retroactive and is effective on December 31 of the year immediately
13 preceding the year in which the property subject to the conditional
14 rescission is leased. An owner who fails to file a rescission as
15 required by this subsection is subject to a penalty of \$5.00 per
16 day for each separate failure beginning after the 90 days have
17 elapsed, up to a maximum of \$200.00. This penalty shall be
18 collected under 1941 PA 122, MCL 205.1 to 205.31, and shall be
19 deposited in the state school aid fund established in section 11 of
20 article IX of the state constitution of 1963. This penalty may be
21 waived by the department of treasury. **IF A LAND CONTRACT VENDOR,**
22 **BANK, CREDIT UNION, OR OTHER LENDING INSTITUTION RETAINS AN**
23 **EXEMPTION ON PROPERTY UNDER THIS SUBSECTION, THAT LAND CONTRACT**
24 **VENDOR, BANK, CREDIT UNION, OR OTHER LENDING INSTITUTION SHALL PAY**
25 **AN AMOUNT EQUAL TO THE AMOUNT THAT LAND CONTRACT VENDOR, BANK,**
26 **CREDIT UNION, OR OTHER LENDING INSTITUTION WOULD HAVE PAID UNDER**
27 **SECTION 1211 OF THE REVISED SCHOOL CODE, 1976 PA 451, MCL 380.1211,**

1 IF AN EXEMPTION HAD NOT BEEN RETAINED ON THAT PROPERTY, TOGETHER
2 WITH AN ADMINISTRATION FEE EQUAL TO THE PROPERTY TAX ADMINISTRATION
3 FEE IMPOSED UNDER SECTION 44. THE PAYMENT REQUIRED UNDER THIS
4 SUBSECTION SHALL BE COLLECTED BY THE LOCAL TAX COLLECTING UNIT AT
5 THE SAME TIME AND IN THE SAME MANNER AS TAXES COLLECTED UNDER THIS
6 ACT. ONE HALF OF THE ADMINISTRATION FEE SHALL BE RETAINED BY THE
7 LOCAL TAX COLLECTING UNIT AND THE BALANCE DISTRIBUTED TO THE
8 DEPARTMENT OF TREASURY. THE AMOUNT COLLECTED THAT THE LAND CONTRACT
9 VENDOR, BANK, CREDIT UNION, OR OTHER LENDING INSTITUTION WOULD HAVE
10 PAID UNDER SECTION 1211 OF THE REVISED SCHOOL CODE, 1976 PA 451,
11 MCL 380.1211, IF AN EXEMPTION HAD NOT BEEN RETAINED ON THAT
12 PROPERTY SHALL BE DISTRIBUTED TO THE DEPARTMENT OF TREASURY FOR
13 DEPOSIT INTO THE STATE SCHOOL AID FUND ESTABLISHED IN SECTION 11 OF
14 ARTICLE IX OF THE STATE CONSTITUTION OF 1963. IF A LAND CONTRACT
15 VENDOR, BANK, CREDIT UNION, OR OTHER LENDING INSTITUTION TRANSFERS
16 OWNERSHIP OF PROPERTY FOR WHICH AN EXEMPTION IS RETAINED UNDER THIS
17 SUBSECTION, THAT LAND CONTRACT VENDOR, BANK, CREDIT UNION, OR OTHER
18 LENDING INSTITUTION SHALL RESCIND THE EXEMPTION AS PROVIDED IN THIS
19 SECTION AND SHALL NOTIFY THE TREASURER OF THE LOCAL TAX COLLECTING
20 UNIT OF THAT TRANSFER OF OWNERSHIP. THE TREASURER SHALL REFUND A
21 PRO RATA PORTION OF THE LAST PAYMENT MADE. THE REFUND AMOUNT SHALL
22 BE CALCULATED BY MULTIPLYING THE LAST PAYMENT MADE BY A FRACTION
23 THE NUMERATOR OF WHICH IS THE NUMBER OF DAYS IN THE YEAR THAT THE
24 LAND CONTRACT VENDOR, BANK, CREDIT UNION, OR OTHER LENDING
25 INSTITUTION HELD OWNERSHIP TO THE PROPERTY AND THE DENOMINATOR OF
26 WHICH IS 365. IF A LAND CONTRACT VENDOR, BANK, CREDIT UNION, OR
27 OTHER LENDING INSTITUTION FAILS TO MAKE THE PAYMENT REQUIRED UNDER

1 THIS SUBSECTION FOR ANY PROPERTY, THE LOCAL TAX COLLECTING UNIT
2 SHALL DENY THAT CONDITIONAL RESCISSION AND THAT DENIAL IS
3 RETROACTIVE AND IS EFFECTIVE ON DECEMBER 31 OF THE IMMEDIATELY
4 PRECEDING YEAR. IF THE ASSESSOR DENIES A CONDITIONAL RESCISSION,
5 THE ASSESSOR SHALL REMOVE THE EXEMPTION OF THE PROPERTY AND ANY
6 ADDITIONAL TAXES, PENALTIES, AND INTEREST SHALL BE COLLECTED AS
7 PROVIDED IN THIS SECTION.

8 (6) Except as otherwise provided in subsection (5), if the
9 assessor of the local tax collecting unit believes that the
10 property for which an exemption is claimed is not the principal
11 residence of the owner claiming the exemption, the assessor may
12 deny a new or existing claim by notifying the owner and the
13 department of treasury in writing of the reason for the denial and
14 advising the owner that the denial may be appealed to the
15 residential and small claims division of the Michigan tax tribunal
16 within 35 days after the date of the notice. The assessor may deny
17 a claim for exemption for the current year and for the 3
18 immediately preceding calendar years. If the assessor denies an
19 existing claim for exemption, the assessor shall remove the
20 exemption of the property and, if the tax roll is in the local tax
21 collecting unit's possession, amend the tax roll to reflect the
22 denial and the local treasurer shall within 30 days of the date of
23 the denial issue a corrected tax bill for any additional taxes with
24 interest at the rate of 1.25% per month or fraction of a month and
25 penalties computed from the date the taxes were last payable
26 without interest or penalty. If the tax roll is in the county
27 treasurer's possession, the tax roll shall be amended to reflect

1 the denial and the county treasurer shall within 30 days of the
2 date of the denial prepare and submit a supplemental tax bill for
3 any additional taxes, together with interest at the rate of 1.25%
4 per month or fraction of a month and penalties computed from the
5 date the taxes were last payable without interest or penalty.
6 Interest on any tax set forth in a corrected or supplemental tax
7 bill shall again begin to accrue 60 days after the date the
8 corrected or supplemental tax bill is issued at the rate of 1.25%
9 per month or fraction of a month. Taxes levied in a corrected or
10 supplemental tax bill shall be returned as delinquent on the March
11 1 in the year immediately succeeding the year in which the
12 corrected or supplemental tax bill is issued. If the assessor
13 denies an existing claim for exemption, the interest due shall be
14 distributed as provided in subsection (23). However, if the
15 property has been transferred to a bona fide purchaser before
16 additional taxes were billed to the seller as a result of the
17 denial of a claim for exemption, the taxes, interest, and penalties
18 shall not be a lien on the property and shall not be billed to the
19 bona fide purchaser, and the local tax collecting unit if the local
20 tax collecting unit has possession of the tax roll or the county
21 treasurer if the county has possession of the tax roll shall notify
22 the department of treasury of the amount of tax due, interest, and
23 penalties through the date of that notification. The department of
24 treasury shall then assess the owner who claimed the exemption
25 under this section for the tax, interest, and penalties accruing as
26 a result of the denial of the claim for exemption, if any, as for
27 unpaid taxes provided under 1941 PA 122, MCL 205.1 to 205.31, and

1 shall deposit any tax or penalty collected into the state school
2 aid fund and shall distribute any interest collected as provided in
3 subsection (23). The denial shall be made on a form prescribed by
4 the department of treasury. If the property for which the assessor
5 has denied a claim for exemption under this subsection is located
6 in a county in which the county treasurer or the county
7 equalization director have elected to audit exemptions under
8 subsection (10), the assessor shall notify the county treasurer or
9 the county equalization director of the denial under this
10 subsection.

11 (7) If the assessor of the local tax collecting unit believes
12 that the property for which the exemption is claimed is not the
13 principal residence of the owner claiming the exemption and has not
14 denied the claim, the assessor shall include a recommendation for
15 denial with any affidavit that is forwarded to the department of
16 treasury or, for an existing claim, shall send a recommendation for
17 denial to the department of treasury, stating the reasons for the
18 recommendation.

19 (8) The department of treasury shall determine if the property
20 is the principal residence of the owner claiming the exemption. The
21 department of treasury may review the validity of exemptions for
22 the current calendar year and for the 3 immediately preceding
23 calendar years. Except as otherwise provided in subsection (5), if
24 the department of treasury determines that the property is not the
25 principal residence of the owner claiming the exemption, the
26 department shall send a notice of that determination to the local
27 tax collecting unit and to the owner of the property claiming the

1 exemption, indicating that the claim for exemption is denied,
2 stating the reason for the denial, and advising the owner claiming
3 the exemption of the right to appeal the determination to the
4 department of treasury and what those rights of appeal are. The
5 department of treasury may issue a notice denying a claim if an
6 owner fails to respond within 30 days of receipt of a request for
7 information from that department. An owner may appeal the denial of
8 a claim of exemption to the department of treasury within 35 days
9 of receipt of the notice of denial. An appeal to the department of
10 treasury shall be conducted according to the provisions for an
11 informal conference in section 21 of 1941 PA 122, MCL 205.21.
12 Within 10 days after acknowledging an appeal of a denial of a claim
13 of exemption, the department of treasury shall notify the assessor
14 and the treasurer for the county in which the property is located
15 that an appeal has been filed. Upon receipt of a notice that the
16 department of treasury has denied a claim for exemption, the
17 assessor shall remove the exemption of the property and, if the tax
18 roll is in the local tax collecting unit's possession, amend the
19 tax roll to reflect the denial and the local treasurer shall within
20 30 days of the date of the denial issue a corrected tax bill for
21 any additional taxes with interest at the rate of 1.25% per month
22 or fraction of a month and penalties computed from the date the
23 taxes were last payable without interest and penalty. If the tax
24 roll is in the county treasurer's possession, the tax roll shall be
25 amended to reflect the denial and the county treasurer shall within
26 30 days of the date of the denial prepare and submit a supplemental
27 tax bill for any additional taxes, together with interest at the

1 rate of 1.25% per month or fraction of a month and penalties
2 computed from the date the taxes were last payable without interest
3 or penalty. Interest on any tax set forth in a corrected or
4 supplemental tax bill shall again begin to accrue 60 days after the
5 date the corrected or supplemental tax bill is issued at the rate
6 of 1.25% per month or fraction of a month. The department of
7 treasury may waive interest on any tax set forth in a corrected or
8 supplemental tax bill for the current tax year and the immediately
9 preceding 3 tax years if the assessor of the local tax collecting
10 unit files with the department of treasury a sworn affidavit in a
11 form prescribed by the department of treasury stating that the tax
12 set forth in the corrected or supplemental tax bill is a result of
13 the assessor's classification error or other error or the
14 assessor's failure to rescind the exemption after the owner
15 requested in writing that the exemption be rescinded. Taxes levied
16 in a corrected or supplemental tax bill shall be returned as
17 delinquent on the March 1 in the year immediately succeeding the
18 year in which the corrected or supplemental tax bill is issued. If
19 the department of treasury denies an existing claim for exemption,
20 the interest due shall be distributed as provided in subsection
21 (23). However, if the property has been transferred to a bona fide
22 purchaser before additional taxes were billed to the seller as a
23 result of the denial of a claim for exemption, the taxes, interest,
24 and penalties shall not be a lien on the property and shall not be
25 billed to the bona fide purchaser, and the local tax collecting
26 unit if the local tax collecting unit has possession of the tax
27 roll or the county treasurer if the county has possession of the

1 tax roll shall notify the department of treasury of the amount of
2 tax due and interest through the date of that notification. The
3 department of treasury shall then assess the owner who claimed the
4 exemption under this section for the tax and interest plus penalty
5 accruing as a result of the denial of the claim for exemption, if
6 any, as for unpaid taxes provided under 1941 PA 122, MCL 205.1 to
7 205.31, and shall deposit any tax or penalty collected into the
8 state school aid fund and shall distribute any interest collected
9 as provided in subsection (23).

10 (9) The department of treasury may enter into an agreement
11 regarding the implementation or administration of subsection (8)
12 with the assessor of any local tax collecting unit in a county that
13 has not elected to audit exemptions claimed under this section as
14 provided in subsection (10). The agreement may specify that for a
15 period of time, not to exceed 120 days, the department of treasury
16 will not deny an exemption identified by the department of treasury
17 in the list provided under subsection (11).

18 (10) A county may elect to audit the exemptions claimed under
19 this section in all local tax collecting units located in that
20 county as provided in this subsection. The election to audit
21 exemptions shall be made by the county treasurer, or by the county
22 equalization director with the concurrence by resolution of the
23 county board of commissioners. The initial election to audit
24 exemptions shall require an audit period of 2 years. Before 2009,
25 subsequent elections to audit exemptions shall be made every 2
26 years and shall require 2 annual audit periods. Beginning in 2009,
27 an election to audit exemptions shall be made every 5 years and

1 shall require 5 annual audit periods. An election to audit
2 exemptions shall be made by submitting an election to audit form to
3 the assessor of each local tax collecting unit in that county and
4 to the department of treasury not later than April 1 preceding the
5 October 1 in the year in which an election to audit is made. The
6 election to audit form required under this subsection shall be in a
7 form prescribed by the department of treasury. If a county elects
8 to audit the exemptions claimed under this section, the department
9 of treasury may continue to review the validity of exemptions as
10 provided in subsection (8). If a county does not elect to audit the
11 exemptions claimed under this section as provided in this
12 subsection, the department of treasury shall conduct an audit of
13 exemptions claimed under this section in the initial 2-year audit
14 period for each local tax collecting unit in that county unless the
15 department of treasury has entered into an agreement with the
16 assessor for that local tax collecting unit under subsection (9).

17 (11) If a county elects to audit the exemptions claimed under
18 this section as provided in subsection (10) and the county
19 treasurer or his or her designee or the county equalization
20 director or his or her designee believes that the property for
21 which an exemption is claimed is not the principal residence of the
22 owner claiming the exemption, the county treasurer or his or her
23 designee or the county equalization director or his or her designee
24 may, except as otherwise provided in subsection (5), deny an
25 existing claim by notifying the owner, the assessor of the local
26 tax collecting unit, and the department of treasury in writing of
27 the reason for the denial and advising the owner that the denial

1 may be appealed to the residential and small claims division of the
2 Michigan tax tribunal within 35 days after the date of the notice.
3 The county treasurer or his or her designee or the county
4 equalization director or his or her designee may deny a claim for
5 exemption for the current year and for the 3 immediately preceding
6 calendar years. If the county treasurer or his or her designee or
7 the county equalization director or his or her designee denies an
8 existing claim for exemption, the county treasurer or his or her
9 designee or the county equalization director or his or her designee
10 shall direct the assessor of the local tax collecting unit in which
11 the property is located to remove the exemption of the property
12 from the assessment roll and, if the tax roll is in the local tax
13 collecting unit's possession, direct the assessor of the local tax
14 collecting unit to amend the tax roll to reflect the denial and the
15 treasurer of the local tax collecting unit shall within 30 days of
16 the date of the denial issue a corrected tax bill for any
17 additional taxes with interest at the rate of 1.25% per month or
18 fraction of a month and penalties computed from the date the taxes
19 were last payable without interest and penalty. If the tax roll is
20 in the county treasurer's possession, the tax roll shall be amended
21 to reflect the denial and the county treasurer shall within 30 days
22 of the date of the denial prepare and submit a supplemental tax
23 bill for any additional taxes, together with interest at the rate
24 of 1.25% per month or fraction of a month and penalties computed
25 from the date the taxes were last payable without interest or
26 penalty. Interest on any tax set forth in a corrected or
27 supplemental tax bill shall again begin to accrue 60 days after the

1 date the corrected or supplemental tax bill is issued at the rate
2 of 1.25% per month or fraction of a month. Taxes levied in a
3 corrected or supplemental tax bill shall be returned as delinquent
4 on the March 1 in the year immediately succeeding the year in which
5 the corrected or supplemental tax bill is issued. If the county
6 treasurer or his or her designee or the county equalization
7 director or his or her designee denies an existing claim for
8 exemption, the interest due shall be distributed as provided in
9 subsection (23). However, if the property has been transferred to a
10 bona fide purchaser before additional taxes were billed to the
11 seller as a result of the denial of a claim for exemption, the
12 taxes, interest, and penalties shall not be a lien on the property
13 and shall not be billed to the bona fide purchaser, and the local
14 tax collecting unit if the local tax collecting unit has possession
15 of the tax roll or the county treasurer if the county has
16 possession of the tax roll shall notify the department of treasury
17 of the amount of tax due and interest through the date of that
18 notification. The department of treasury shall then assess the
19 owner who claimed the exemption under this section for the tax and
20 interest plus penalty accruing as a result of the denial of the
21 claim for exemption, if any, as for unpaid taxes provided under
22 1941 PA 122, MCL 205.1 to 205.31, and shall deposit any tax or
23 penalty collected into the state school aid fund and shall
24 distribute any interest collected as provided in subsection (23).
25 The department of treasury shall annually provide the county
26 treasurer or his or her designee or the county equalization
27 director or his or her designee a list of parcels of property

1 located in that county for which an exemption may be erroneously
2 claimed. The county treasurer or his or her designee or the county
3 equalization director or his or her designee shall forward copies
4 of the list provided by the department of treasury to each assessor
5 in each local tax collecting unit in that county within 10 days of
6 receiving the list.

7 (12) If a county elects to audit exemptions claimed under this
8 section as provided in subsection (10), the county treasurer or the
9 county equalization director may enter into an agreement with the
10 assessor of a local tax collecting unit in that county regarding
11 the implementation or administration of this section. The agreement
12 may specify that for a period of time, not to exceed 120 days, the
13 county will not deny an exemption identified by the department of
14 treasury in the list provided under subsection (11).

15 (13) An owner may appeal a denial by the assessor of the local
16 tax collecting unit under subsection (6), a final decision of the
17 department of treasury under subsection (8), or a denial by the
18 county treasurer or his or her designee or the county equalization
19 director or his or her designee under subsection (11) to the
20 residential and small claims division of the Michigan tax tribunal
21 within 35 days of that decision. An owner is not required to pay
22 the amount of tax in dispute in order to appeal a denial of a claim
23 of exemption to the department of treasury or to receive a final
24 determination of the residential and small claims division of the
25 Michigan tax tribunal. However, interest at the rate of 1.25% per
26 month or fraction of a month and penalties shall accrue and be
27 computed from the date the taxes were last payable without interest

1 and penalty. If the residential and small claims division of the
2 Michigan tax tribunal grants an owner's appeal of a denial and that
3 owner has paid the interest due as a result of a denial under
4 subsection (6), (8), or (11), the interest received after a
5 distribution was made under subsection (23) shall be refunded.

6 (14) For taxes levied after December 31, 2005, for each county
7 in which the county treasurer or the county equalization director
8 does not elect to audit the exemptions claimed under this section
9 as provided in subsection (10), the department of treasury shall
10 conduct an annual audit of exemptions claimed under this section
11 for the current calendar year.

12 (15) Except as otherwise provided in subsection (5), an
13 affidavit filed by an owner for the exemption under this section
14 rescinds all previous exemptions filed by that owner for any other
15 property. The department of treasury shall notify the assessor of
16 the local tax collecting unit in which the property for which a
17 previous exemption was claimed is located if the previous exemption
18 is rescinded by the subsequent affidavit. When an exemption is
19 rescinded, the assessor of the local tax collecting unit shall
20 remove the exemption effective December 31 of the year in which the
21 affidavit was filed that rescinded the exemption. For any year for
22 which the rescinded exemption has not been removed from the tax
23 roll, the exemption shall be denied as provided in this section.
24 However, interest and penalty shall not be imposed for a year for
25 which a rescission form has been timely filed under subsection (5).

26 (16) Except as otherwise provided in subsection (28), if the
27 principal residence is part of a unit in a multiple-unit dwelling

1 or a dwelling unit in a multiple-purpose structure, an owner shall
2 claim an exemption for only that portion of the total taxable value
3 of the property used as the principal residence of that owner in a
4 manner prescribed by the department of treasury. If a portion of a
5 parcel for which the owner claims an exemption is used for a
6 purpose other than as a principal residence, the owner shall claim
7 an exemption for only that portion of the taxable value of the
8 property used as the principal residence of that owner in a manner
9 prescribed by the department of treasury.

10 (17) When a county register of deeds records a transfer of
11 ownership of a property, he or she shall notify the local tax
12 collecting unit in which the property is located of the transfer.

13 (18) The department of treasury shall make available the
14 affidavit forms and the forms to rescind an exemption, which may be
15 on the same form, to all city and township assessors, county
16 equalization officers, county registers of deeds, and closing
17 agents. A person who prepares a closing statement for the sale of
18 property shall provide affidavit and rescission forms to the buyer
19 and seller at the closing and, if requested by the buyer or seller
20 after execution by the buyer or seller, shall file the forms with
21 the local tax collecting unit in which the property is located. If
22 a closing statement preparer fails to provide exemption affidavit
23 and rescission forms to the buyer and seller, or fails to file the
24 affidavit and rescission forms with the local tax collecting unit
25 if requested by the buyer or seller, the buyer may appeal to the
26 department of treasury within 30 days of notice to the buyer that
27 an exemption was not recorded. If the department of treasury

1 determines that the buyer qualifies for the exemption, the
2 department of treasury shall notify the assessor of the local tax
3 collecting unit that the exemption is granted and the assessor of
4 the local tax collecting unit or, if the tax roll is in the
5 possession of the county treasurer, the county treasurer shall
6 correct the tax roll to reflect the exemption. This subsection does
7 not create a cause of action at law or in equity against a closing
8 statement preparer who fails to provide exemption affidavit and
9 rescission forms to a buyer and seller or who fails to file the
10 affidavit and rescission forms with the local tax collecting unit
11 when requested to do so by the buyer or seller.

12 (19) An owner who owned and occupied a principal residence on
13 May 1 for which the exemption was not on the tax roll may file an
14 appeal with the July board of review or December board of review in
15 the year for which the exemption was claimed or the immediately
16 succeeding 3 years. If an appeal of a claim for exemption that was
17 not on the tax roll is received not later than 5 days prior to the
18 date of the December board of review, the local tax collecting unit
19 shall convene a December board of review and consider the appeal
20 pursuant to this section and section 53b. For the 2008 tax year
21 only, an owner of property eligible for a conditional rescission
22 under subsection (5) who did not file a conditional rescission form
23 prescribed by the department of treasury with the local tax
24 collecting unit on or before May 1, 2008 may file an appeal with
25 the 2008 July board of review or 2008 December board of review to
26 claim a conditional rescission for the 2008 tax year. For the 2008
27 and 2009 tax years only, an owner of property classified as timber-

1 cutover real property adjoining or contiguous to that owner's
2 principal residence who did not claim an exemption for the property
3 classified as timber-cutover real property under this section
4 before May 1, 2009 or whose claim for exemption under this section
5 for that property classified as timber-cutover real property was
6 denied before May 1, 2009 may file an appeal with the 2009 December
7 board of review or the 2010 July board of review to claim an
8 exemption under this section for that property classified as
9 timber-cutover real property for the 2008 and 2009 tax years.

10 (20) If the assessor or treasurer of the local tax collecting
11 unit believes that the department of treasury erroneously denied a
12 claim for exemption, the assessor or treasurer may submit written
13 information supporting the owner's claim for exemption to the
14 department of treasury within 35 days of the owner's receipt of the
15 notice denying the claim for exemption. If, after reviewing the
16 information provided, the department of treasury determines that
17 the claim for exemption was erroneously denied, the department of
18 treasury shall grant the exemption and the tax roll shall be
19 amended to reflect the exemption.

20 (21) If granting the exemption under this section results in
21 an overpayment of the tax, a rebate, including any interest paid,
22 shall be made to the taxpayer by the local tax collecting unit if
23 the local tax collecting unit has possession of the tax roll or by
24 the county treasurer if the county has possession of the tax roll
25 within 30 days of the date the exemption is granted. The rebate
26 shall be without interest. If an exemption for property classified
27 as timber-cutover real property is granted under this section for

1 the 2008 or 2009 tax year, the tax roll shall be corrected and any
2 delinquent and unpaid penalty, interest, and tax resulting from
3 that property not having been exempt under this section for the
4 2008 or 2009 tax year shall be waived.

5 (22) If an exemption under this section is erroneously granted
6 for an affidavit filed before October 1, 2003, an owner may request
7 in writing that the department of treasury withdraw the exemption.
8 The request to withdraw the exemption shall be received not later
9 than November 1, 2003. If an owner requests that an exemption be
10 withdrawn, the department of treasury shall issue an order
11 notifying the local assessor that the exemption issued under this
12 section has been denied based on the owner's request. If an
13 exemption is withdrawn, the property that had been subject to that
14 exemption shall be immediately placed on the tax roll by the local
15 tax collecting unit if the local tax collecting unit has possession
16 of the tax roll or by the county treasurer if the county has
17 possession of the tax roll as though the exemption had not been
18 granted. A corrected tax bill shall be issued for the tax year
19 being adjusted by the local tax collecting unit if the local tax
20 collecting unit has possession of the tax roll or by the county
21 treasurer if the county has possession of the tax roll. Unless a
22 denial has been issued prior to July 1, 2003, if an owner requests
23 that an exemption under this section be withdrawn and that owner
24 pays the corrected tax bill issued under this subsection within 30
25 days after the corrected tax bill is issued, that owner is not
26 liable for any penalty or interest on the additional tax. An owner
27 who pays a corrected tax bill issued under this subsection more

1 than 30 days after the corrected tax bill is issued is liable for
2 the penalties and interest that would have accrued if the exemption
3 had not been granted from the date the taxes were originally
4 levied.

5 (23) Subject to subsection (24), interest at the rate of 1.25%
6 per month or fraction of a month collected under subsection (6),
7 (8), or (11) shall be distributed as follows:

8 (a) If the assessor of the local tax collecting unit denies
9 the exemption under this section, as follows:

10 (i) To the local tax collecting unit, 70%.

11 (ii) To the department of treasury, 10%.

12 (iii) To the county in which the property is located, 20%.

13 (b) If the department of treasury denies the exemption under
14 this section, as follows:

15 (i) To the local tax collecting unit, 20%.

16 (ii) To the department of treasury, 70%.

17 (iii) To the county in which the property is located, 10%.

18 (c) If the county treasurer or his or her designee or the
19 county equalization director or his or her designee denies the
20 exemption under this section, as follows:

21 (i) To the local tax collecting unit, 20%.

22 (ii) To the department of treasury, 10%.

23 (iii) To the county in which the property is located, 70%.

24 (24) Interest distributed under subsection (23) is subject to
25 the following conditions:

26 (a) Interest distributed to a county shall be deposited into a
27 restricted fund to be used solely for the administration of

1 exemptions under this section. Money in that restricted fund shall
2 lapse to the county general fund on the December 31 in the year 3
3 years after the first distribution of interest to the county under
4 subsection (23) and on each succeeding December 31 thereafter.

5 (b) Interest distributed to the department of treasury shall
6 be deposited into the principal residence property tax exemption
7 audit fund, which is created within the state treasury. The state
8 treasurer may receive money or other assets from any source for
9 deposit into the fund. The state treasurer shall direct the
10 investment of the fund. The state treasurer shall credit to the
11 fund interest and earnings from fund investments. Money in the fund
12 shall be considered a work project account and at the close of the
13 fiscal year shall remain in the fund and shall not lapse to the
14 general fund. Money from the fund shall be expended, upon
15 appropriation, only for the purpose of auditing exemption
16 affidavits.

17 (25) Interest distributed under subsection (23) is in addition
18 to and shall not affect the levy or collection of the county
19 property tax administration fee established under this act.

20 (26) A cooperative housing corporation is entitled to a full
21 or partial exemption under this section for the tax year in which
22 the cooperative housing corporation files all of the following with
23 the local tax collecting unit in which the cooperative housing
24 corporation is located if filed on or before May 1:

25 (a) An affidavit form.

26 (b) A statement of the total number of units owned by the
27 cooperative housing corporation and occupied as the principal

1 residence of a tenant stockholder as of the date of the filing
2 under this subsection.

3 (c) A list that includes the name, address, and social
4 security number of each tenant stockholder of the cooperative
5 housing corporation occupying a unit in the cooperative housing
6 corporation as his or her principal residence as of the date of the
7 filing under this subsection.

8 (d) A statement of the total number of units of the
9 cooperative housing corporation on which an exemption under this
10 section was claimed and that were transferred in the tax year
11 immediately preceding the tax year in which the filing under this
12 section was made.

13 (27) Before May 1, 2004 and before May 1, 2005, the treasurer
14 of each county shall forward to the department of education a
15 statement of the taxable value of each school district and fraction
16 of a school district within the county for the preceding 4 calendar
17 years. This requirement is in addition to the requirement set forth
18 in section 151 of the state school aid act of 1979, 1979 PA 94, MCL
19 388.1751.

20 (28) For a parcel of property open and available for use as a
21 bed and breakfast, the portion of the taxable value of the property
22 used as a principal residence under subsection (16) shall be
23 calculated in the following manner:

24 (a) Add all of the following:

25 (i) The square footage of the property used exclusively as that
26 owner's principal residence.

27 (ii) 50% of the square footage of the property's common area.

1 (iii) If the property was not open and available for use as a
2 bed and breakfast for 90 or more consecutive days in the
3 immediately preceding 12-month period, the result of the following
4 calculation:

5 (A) Add the square footage of the property that is open and
6 available regularly and exclusively as a bed and breakfast, and 50%
7 of the square footage of the property's common area.

8 (B) Multiply the result of the calculation in sub-subparagraph
9 (A) by a fraction, the numerator of which is the number of
10 consecutive days in the immediately preceding 12-month period that
11 the property was not open and available for use as a bed and
12 breakfast and the denominator of which is 365.

13 (b) Divide the result of the calculation in subdivision (a) by
14 the total square footage of the property.

15 (29) The owner claiming an exemption under this section for
16 property open and available as a bed and breakfast shall file an
17 affidavit claiming the exemption on or before May 1 with the local
18 tax collecting unit in which the property is located. The affidavit
19 shall be in a form prescribed by the department of treasury.

20 (30) As used in this section:

21 (a) "Bed and breakfast" means property classified as
22 residential real property under section 34c that meets all of the
23 following criteria:

24 (i) Has 10 or fewer sleeping rooms, including sleeping rooms
25 occupied by the owner of the property, 1 or more of which are
26 available for rent to transient tenants.

27 (ii) Serves meals at no extra cost to its transient tenants.

1 (iii) Has a smoke detector in proper working order in each
2 sleeping room and a fire extinguisher in proper working order on
3 each floor.

4 (b) "Common area" includes, but is not limited to, a kitchen,
5 dining room, living room, fitness room, porch, hallway, laundry
6 room, or bathroom that is available for use by guests of a bed and
7 breakfast or, unless guests are specifically prohibited from access
8 to the area, an area that is used to provide a service to guests of
9 a bed and breakfast.