

HOUSE BILL No. 4200

February 5, 2009, Introduced by Reps. Lahti, McDowell, Elsenheimer, Sheltroun, Hansen and Lindberg and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending sections 7cc and 7dd (MCL 211.7cc and 211.7dd), section 7cc as amended by 2008 PA 198 and section 7dd as amended by 2008 PA 243.

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).

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to indicate if that owner or that owner's spouse has claimed another exemption on property in this state that is not rescinded or a substantially similar exemption, deduction, or credit on property in another state that is not rescinded.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required under this subsection for a principal residence exemption and that exemption shall remain in effect until rescinded as provided in this section.

(3) Except as otherwise provided in subsection (5), a husband and wife who are required to file or who do file a joint Michigan

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

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

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

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

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

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

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

1 (ii) That person has rescinded an exemption under this section
2 on other property, which exemption remains in effect for that tax
3 year, and there has not been a transfer of ownership of that
4 property.

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

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

1 Property is eligible for a conditional rescission if that property
2 is available for lease and all other conditions under this
3 subsection are met. A copy of the conditional rescission form shall
4 be forwarded to the department of treasury according to a schedule
5 prescribed by the department of treasury. An owner who files a
6 conditional rescission form shall annually verify to the assessor
7 of the local tax collecting unit on or before December 31 that the
8 property for which the principal residence exemption is retained is
9 not occupied, is for sale, is not leased, and is not used for any
10 business or commercial purpose. If an owner does not annually
11 verify by December 31 that the property for which the principal
12 residence exemption is retained is not occupied, is for sale, is
13 not leased, and is not used for any business or commercial purpose,
14 the assessor of the local tax collecting unit shall deny the
15 principal residence exemption on that property. If property subject
16 to a conditional rescission is leased, the local tax collecting
17 unit shall deny that conditional rescission and that denial is
18 retroactive and is effective on December 31 of the year immediately
19 preceding the year in which the property subject to the conditional
20 rescission is leased. An owner who fails to file a rescission as
21 required by this subsection is subject to a penalty of \$5.00 per
22 day for each separate failure beginning after the 90 days have
23 elapsed, up to a maximum of \$200.00. This penalty shall be
24 collected under 1941 PA 122, MCL 205.1 to 205.31, and shall be
25 deposited in the state school aid fund established in section 11 of
26 article IX of the state constitution of 1963. This penalty may be
27 waived by the department of treasury.

1 (6) Except as otherwise provided in subsection (5), if the
2 assessor of the local tax collecting unit believes that the
3 property for which an exemption is claimed is not the principal
4 residence of the owner claiming the exemption, the assessor may
5 deny a new or existing claim by notifying the owner and the
6 department of treasury in writing of the reason for the denial and
7 advising the owner that the denial may be appealed to the
8 residential and small claims division of the Michigan tax tribunal
9 within 35 days after the date of the notice. The assessor may deny
10 a claim for exemption for the current year and for the 3
11 immediately preceding calendar years. If the assessor denies an
12 existing claim for exemption, the assessor shall remove the
13 exemption of the property and, if the tax roll is in the local tax
14 collecting unit's possession, amend the tax roll to reflect the
15 denial and the local treasurer shall within 30 days of the date of
16 the denial issue a corrected tax bill for any additional taxes with
17 interest at the rate of 1.25% per month or fraction of a month and
18 penalties computed from the date the taxes were last payable
19 without interest or penalty. If the tax roll is in the county
20 treasurer's possession, the tax roll shall be amended to reflect
21 the denial and the county treasurer shall within 30 days of the
22 date of the denial prepare and submit a supplemental tax bill for
23 any additional taxes, together with interest at the rate of 1.25%
24 per month or fraction of a month and penalties computed from the
25 date the taxes were last payable without interest or penalty.
26 Interest on any tax set forth in a corrected or supplemental tax
27 bill shall again begin to accrue 60 days after the date the

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

1 subsection (10), the assessor shall notify the county treasurer or
2 the county equalization director of the denial under this
3 subsection.

4 (7) If the assessor of the local tax collecting unit believes
5 that the property for which the exemption is claimed is not the
6 principal residence of the owner claiming the exemption and has not
7 denied the claim, the assessor shall include a recommendation for
8 denial with any affidavit that is forwarded to the department of
9 treasury or, for an existing claim, shall send a recommendation for
10 denial to the department of treasury, stating the reasons for the
11 recommendation.

12 (8) The department of treasury shall determine if the property
13 is the principal residence of the owner claiming the exemption. The
14 department of treasury may review the validity of exemptions for
15 the current calendar year and for the 3 immediately preceding
16 calendar years. Except as otherwise provided in subsection (5), if
17 the department of treasury determines that the property is not the
18 principal residence of the owner claiming the exemption, the
19 department shall send a notice of that determination to the local
20 tax collecting unit and to the owner of the property claiming the
21 exemption, indicating that the claim for exemption is denied,
22 stating the reason for the denial, and advising the owner claiming
23 the exemption of the right to appeal the determination to the
24 department of treasury and what those rights of appeal are. The
25 department of treasury may issue a notice denying a claim if an
26 owner fails to respond within 30 days of receipt of a request for
27 information from that department. An owner may appeal the denial of

1 a claim of exemption to the department of treasury within 35 days
2 of receipt of the notice of denial. An appeal to the department of
3 treasury shall be conducted according to the provisions for an
4 informal conference in section 21 of 1941 PA 122, MCL 205.21.
5 Within 10 days after acknowledging an appeal of a denial of a claim
6 of exemption, the department of treasury shall notify the assessor
7 and the treasurer for the county in which the property is located
8 that an appeal has been filed. Upon receipt of a notice that the
9 department of treasury has denied a claim for exemption, the
10 assessor shall remove the exemption of the property and, if the tax
11 roll is in the local tax collecting unit's possession, amend the
12 tax roll to reflect the denial and the local treasurer shall within
13 30 days of the date of the denial issue a corrected tax bill for
14 any additional taxes with interest at the rate of 1.25% per month
15 or fraction of a month and penalties computed from the date the
16 taxes were last payable without interest and penalty. If the tax
17 roll is in the county treasurer's possession, the tax roll shall be
18 amended to reflect the denial and the county treasurer shall within
19 30 days of the date of the denial prepare and submit a supplemental
20 tax bill for any additional taxes, together with interest at the
21 rate of 1.25% per month or fraction of a month and penalties
22 computed from the date the taxes were last payable without interest
23 or penalty. Interest on any tax set forth in a corrected or
24 supplemental tax bill shall again begin to accrue 60 days after the
25 date the corrected or supplemental tax bill is issued at the rate
26 of 1.25% per month or fraction of a month. Taxes levied in a
27 corrected or supplemental tax bill shall be returned as delinquent

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

21 (9) The department of treasury may enter into an agreement
22 regarding the implementation or administration of subsection (8)
23 with the assessor of any local tax collecting unit in a county that
24 has not elected to audit exemptions claimed under this section as
25 provided in subsection (10). The agreement may specify that for a
26 period of time, not to exceed 120 days, the department of treasury
27 will not deny an exemption identified by the department of treasury

1 in the list provided under subsection (11).

2 (10) A county may elect to audit the exemptions claimed under
3 this section in all local tax collecting units located in that
4 county as provided in this subsection. The election to audit
5 exemptions shall be made by the county treasurer, or by the county
6 equalization director with the concurrence by resolution of the
7 county board of commissioners. The initial election to audit
8 exemptions shall require an audit period of 2 years. Before 2009,
9 subsequent elections to audit exemptions shall be made every 2
10 years and shall require 2 annual audit periods. Beginning in 2009,
11 an election to audit exemptions shall be made every 5 years and
12 shall require 5 annual audit periods. An election to audit
13 exemptions shall be made by submitting an election to audit form to
14 the assessor of each local tax collecting unit in that county and
15 to the department of treasury not later than April 1 preceding the
16 October 1 in the year in which an election to audit is made. The
17 election to audit form required under this subsection shall be in a
18 form prescribed by the department of treasury. If a county elects
19 to audit the exemptions claimed under this section, the department
20 of treasury may continue to review the validity of exemptions as
21 provided in subsection (8). If a county does not elect to audit the
22 exemptions claimed under this section as provided in this
23 subsection, the department of treasury shall conduct an audit of
24 exemptions claimed under this section in the initial 2-year audit
25 period for each local tax collecting unit in that county unless the
26 department of treasury has entered into an agreement with the
27 assessor for that local tax collecting unit under subsection (9).

1 (11) If a county elects to audit the exemptions claimed under
2 this section as provided in subsection (10) and the county
3 treasurer or his or her designee or the county equalization
4 director or his or her designee believes that the property for
5 which an exemption is claimed is not the principal residence of the
6 owner claiming the exemption, the county treasurer or his or her
7 designee or the county equalization director or his or her designee
8 may, except as otherwise provided in subsection (5), deny an
9 existing claim by notifying the owner, the assessor of the local
10 tax collecting unit, and the department of treasury in writing of
11 the reason for the denial and advising the owner that the denial
12 may be appealed to the residential and small claims division of the
13 Michigan tax tribunal within 35 days after the date of the notice.
14 The county treasurer or his or her designee or the county
15 equalization director or his or her designee may deny a claim for
16 exemption for the current year and for the 3 immediately preceding
17 calendar years. If the county treasurer or his or her designee or
18 the county equalization director or his or her designee denies an
19 existing claim for exemption, the county treasurer or his or her
20 designee or the county equalization director or his or her designee
21 shall direct the assessor of the local tax collecting unit in which
22 the property is located to remove the exemption of the property
23 from the assessment roll and, if the tax roll is in the local tax
24 collecting unit's possession, direct the assessor of the local tax
25 collecting unit to amend the tax roll to reflect the denial and the
26 treasurer of the local tax collecting unit shall within 30 days of
27 the date of the denial issue a corrected tax bill for any

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

1 of the amount of tax due and interest through the date of that
2 notification. The department of treasury shall then assess the
3 owner who claimed the exemption under this section for the tax and
4 interest plus penalty accruing as a result of the denial of the
5 claim for exemption, if any, as for unpaid taxes provided under
6 1941 PA 122, MCL 205.1 to 205.31, and shall deposit any tax or
7 penalty collected into the state school aid fund and shall
8 distribute any interest collected as provided in subsection (23).
9 The department of treasury shall annually provide the county
10 treasurer or his or her designee or the county equalization
11 director or his or her designee a list of parcels of property
12 located in that county for which an exemption may be erroneously
13 claimed. The county treasurer or his or her designee or the county
14 equalization director or his or her designee shall forward copies
15 of the list provided by the department of treasury to each assessor
16 in each local tax collecting unit in that county within 10 days of
17 receiving the list.

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

26 (13) An owner may appeal a denial by the assessor of the local
27 tax collecting unit under subsection (6), a final decision of the

1 department of treasury under subsection (8), or a denial by the
2 county treasurer or his or her designee or the county equalization
3 director or his or her designee under subsection (11) to the
4 residential and small claims division of the Michigan tax tribunal
5 within 35 days of that decision. An owner is not required to pay
6 the amount of tax in dispute in order to appeal a denial of a claim
7 of exemption to the department of treasury or to receive a final
8 determination of the residential and small claims division of the
9 Michigan tax tribunal. However, interest at the rate of 1.25% per
10 month or fraction of a month and penalties shall accrue and be
11 computed from the date the taxes were last payable without interest
12 and penalty. If the residential and small claims division of the
13 Michigan tax tribunal grants an owner's appeal of a denial and that
14 owner has paid the interest due as a result of a denial under
15 subsection (6), (8), or (11), the interest received after a
16 distribution was made under subsection (23) shall be refunded.

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

23 (15) Except as otherwise provided in subsection (5), an
24 affidavit filed by an owner for the exemption under this section
25 rescinds all previous exemptions filed by that owner for any other
26 property. The department of treasury shall notify the assessor of
27 the local tax collecting unit in which the property for which a

1 previous exemption was claimed is located if the previous exemption
2 is rescinded by the subsequent affidavit. When an exemption is
3 rescinded, the assessor of the local tax collecting unit shall
4 remove the exemption effective December 31 of the year in which the
5 affidavit was filed that rescinded the exemption. For any year for
6 which the rescinded exemption has not been removed from the tax
7 roll, the exemption shall be denied as provided in this section.
8 However, interest and penalty shall not be imposed for a year for
9 which a rescission form has been timely filed under subsection (5).

10 (16) Except as otherwise provided in subsection (28), if the
11 principal residence is part of a unit in a multiple-unit dwelling
12 or a dwelling unit in a multiple-purpose structure, an owner shall
13 claim an exemption for only that portion of the total taxable value
14 of the property used as the principal residence of that owner in a
15 manner prescribed by the department of treasury. If a portion of a
16 parcel for which the owner claims an exemption is used for a
17 purpose other than as a principal residence, the owner shall claim
18 an exemption for only that portion of the taxable value of the
19 property used as the principal residence of that owner in a manner
20 prescribed by the department of treasury.

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

24 (18) The department of treasury shall make available the
25 affidavit forms and the forms to rescind an exemption, which may be
26 on the same form, to all city and township assessors, county
27 equalization officers, county registers of deeds, and closing

1 agents. A person who prepares a closing statement for the sale of
2 property shall provide affidavit and rescission forms to the buyer
3 and seller at the closing and, if requested by the buyer or seller
4 after execution by the buyer or seller, shall file the forms with
5 the local tax collecting unit in which the property is located. If
6 a closing statement preparer fails to provide exemption affidavit
7 and rescission forms to the buyer and seller, or fails to file the
8 affidavit and rescission forms with the local tax collecting unit
9 if requested by the buyer or seller, the buyer may appeal to the
10 department of treasury within 30 days of notice to the buyer that
11 an exemption was not recorded. If the department of treasury
12 determines that the buyer qualifies for the exemption, the
13 department of treasury shall notify the assessor of the local tax
14 collecting unit that the exemption is granted and the assessor of
15 the local tax collecting unit or, if the tax roll is in the
16 possession of the county treasurer, the county treasurer shall
17 correct the tax roll to reflect the exemption. This subsection does
18 not create a cause of action at law or in equity against a closing
19 statement preparer who fails to provide exemption affidavit and
20 rescission forms to a buyer and seller or who fails to file the
21 affidavit and rescission forms with the local tax collecting unit
22 when requested to do so by the buyer or seller.

23 (19) An owner who owned and occupied a principal residence on
24 May 1 for which the exemption was not on the tax roll may file an
25 appeal with the July board of review or December board of review in
26 the year for which the exemption was claimed or the immediately
27 succeeding 3 years. If an appeal of a claim for exemption that was

1 not on the tax roll is received not later than 5 days prior to the
2 date of the December board of review, the local tax collecting unit
3 shall convene a December board of review and consider the appeal
4 pursuant to this section and section 53b. For the 2008 tax year
5 only, an owner of property eligible for a conditional rescission
6 under subsection (5) who did not file a conditional rescission form
7 prescribed by the department of treasury with the local tax
8 collecting unit on or before May 1, 2008 may file an appeal with
9 the 2008 July board of review or 2008 December board of review to
10 claim a conditional rescission for the 2008 tax year. **FOR THE 2009**
11 **TAX YEAR ONLY, AN OWNER OF PROPERTY CLASSIFIED AS TIMBER-CUTOVER**
12 **REAL PROPERTY ADJOINING OR CONTIGUOUS TO THAT OWNER'S PRINCIPAL**
13 **RESIDENCE WHO DID NOT CLAIM AN EXEMPTION FOR THE PROPERTY**
14 **CLASSIFIED AS TIMBER-CUTOVER REAL PROPERTY UNDER THIS SECTION**
15 **BEFORE MAY 1, 2009 OR WHOSE CLAIM FOR EXEMPTION UNDER THIS SECTION**
16 **FOR THAT PROPERTY CLASSIFIED AS TIMBER-CUTOVER REAL PROPERTY WAS**
17 **DENIED BEFORE MAY 1, 2009 MAY FILE AN APPEAL WITH THE 2009 JULY**
18 **BOARD OF REVIEW OR THE 2009 DECEMBER BOARD OF REVIEW TO CLAIM AN**
19 **EXEMPTION UNDER THIS SECTION FOR THAT PROPERTY CLASSIFIED AS**
20 **TIMBER-CUTOVER REAL PROPERTY FOR THE 2006, 2007, AND 2008 TAX**
21 **YEARS.**

22 (20) If the assessor or treasurer of the local tax collecting
23 unit believes that the department of treasury erroneously denied a
24 claim for exemption, the assessor or treasurer may submit written
25 information supporting the owner's claim for exemption to the
26 department of treasury within 35 days of the owner's receipt of the
27 notice denying the claim for exemption. If, after reviewing the

1 information provided, the department of treasury determines that
2 the claim for exemption was erroneously denied, the department of
3 treasury shall grant the exemption and the tax roll shall be
4 amended to reflect the exemption.

5 (21) If granting the exemption under this section results in
6 an overpayment of the tax, a rebate, including any interest paid,
7 shall be made to the taxpayer by the local tax collecting unit if
8 the local tax collecting unit has possession of the tax roll or by
9 the county treasurer if the county has possession of the tax roll
10 within 30 days of the date the exemption is granted. The rebate
11 shall be without interest. **IF AN EXEMPTION FOR PROPERTY CLASSIFIED**
12 **AS TIMBER-CUTOVER REAL PROPERTY IS GRANTED UNDER THIS SECTION FOR**
13 **THE 2006, 2007, OR 2008 TAX YEAR, THE TAX ROLL SHALL BE CORRECTED**
14 **AND ANY DELINQUENT AND UNPAID PENALTY, INTEREST, AND TAX RESULTING**
15 **FROM THAT PROPERTY NOT HAVING BEEN EXEMPT UNDER THIS SECTION FOR**
16 **THE 2006, 2007, OR 2008 TAX YEAR SHALL BE WAIVED.**

17 (22) If an exemption under this section is erroneously granted
18 for an affidavit filed before October 1, 2003, an owner may request
19 in writing that the department of treasury withdraw the exemption.
20 The request to withdraw the exemption shall be received not later
21 than November 1, 2003. If an owner requests that an exemption be
22 withdrawn, the department of treasury shall issue an order
23 notifying the local assessor that the exemption issued under this
24 section has been denied based on the owner's request. If an
25 exemption is withdrawn, the property that had been subject to that
26 exemption shall be immediately placed on the tax roll by the local
27 tax collecting unit if the local tax collecting unit has possession

1 of the tax roll or by the county treasurer if the county has
2 possession of the tax roll as though the exemption had not been
3 granted. A corrected tax bill shall be issued for the tax year
4 being adjusted by the local tax collecting unit if the local tax
5 collecting unit has possession of the tax roll or by the county
6 treasurer if the county has possession of the tax roll. Unless a
7 denial has been issued prior to July 1, 2003, if an owner requests
8 that an exemption under this section be withdrawn and that owner
9 pays the corrected tax bill issued under this subsection within 30
10 days after the corrected tax bill is issued, that owner is not
11 liable for any penalty or interest on the additional tax. An owner
12 who pays a corrected tax bill issued under this subsection more
13 than 30 days after the corrected tax bill is issued is liable for
14 the penalties and interest that would have accrued if the exemption
15 had not been granted from the date the taxes were originally
16 levied.

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

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

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

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

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

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

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

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

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

3 (c) If the county treasurer or his or her designee or the
4 county equalization director or his or her designee denies the
5 exemption under this section, as follows:

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

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

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

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

11 (a) Interest distributed to a county shall be deposited into a
12 restricted fund to be used solely for the administration of
13 exemptions under this section. Money in that restricted fund shall
14 lapse to the county general fund on the December 31 in the year 3
15 years after the first distribution of interest to the county under
16 subsection (23) and on each succeeding December 31 thereafter.

17 (b) Interest distributed to the department of treasury shall
18 be deposited into the principal residence property tax exemption
19 audit fund, which is created within the state treasury. The state
20 treasurer may receive money or other assets from any source for
21 deposit into the fund. The state treasurer shall direct the
22 investment of the fund. The state treasurer shall credit to the
23 fund interest and earnings from fund investments. Money in the fund
24 shall be considered a work project account and at the close of the
25 fiscal year shall remain in the fund and shall not lapse to the
26 general fund. Money from the fund shall be expended, upon
27 appropriation, only for the purpose of auditing exemption

1 affidavits.

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

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

10 (a) An affidavit form.

11 (b) A statement of the total number of units owned by the
12 cooperative housing corporation and occupied as the principal
13 residence of a tenant stockholder as of the date of the filing
14 under this subsection.

15 (c) A list that includes the name, address, and social
16 security number of each tenant stockholder of the cooperative
17 housing corporation occupying a unit in the cooperative housing
18 corporation as his or her principal residence as of the date of the
19 filing under this subsection.

20 (d) A statement of the total number of units of the
21 cooperative housing corporation on which an exemption under this
22 section was claimed and that were transferred in the tax year
23 immediately preceding the tax year in which the filing under this
24 section was made.

25 (27) Before May 1, 2004 and before May 1, 2005, the treasurer
26 of each county shall forward to the department of education a
27 statement of the taxable value of each school district and fraction

1 of a school district within the county for the preceding 4 calendar
2 years. This requirement is in addition to the requirement set forth
3 in section 151 of the state school aid act of 1979, 1979 PA 94, MCL
4 388.1751.

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

9 (a) Add all of the following:

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

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

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

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

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

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

27 (29) The owner claiming an exemption under this section for

1 property open and available as a bed and breakfast shall file an
2 affidavit claiming the exemption on or before May 1 with the local
3 tax collecting unit in which the property is located. The affidavit
4 shall be in a form prescribed by the department of treasury.

5 (30) As used in this section:

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

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

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

13 (iii) Has a smoke detector in proper working order in each
14 sleeping room and a fire extinguisher in proper working order on
15 each floor.

16 (b) "Common area" includes, but is not limited to, a kitchen,
17 dining room, living room, fitness room, porch, hallway, laundry
18 room, or bathroom that is available for use by guests of a bed and
19 breakfast or, unless guests are specifically prohibited from access
20 to the area, an area that is used to provide a service to guests of
21 a bed and breakfast.

22 Sec. 7dd. As used in sections 7cc and 7ee:

23 (a) "Owner" means any of the following:

24 (i) A person who owns property or who is purchasing property
25 under a land contract.

26 (ii) A person who is a partial owner of property.

27 (iii) A person who owns property as a result of being a

1 beneficiary of a will or trust or as a result of intestate
2 succession.

3 (iv) A person who owns or is purchasing a dwelling on leased
4 land.

5 (v) A person holding a life lease in property previously sold
6 or transferred to another.

7 (vi) A grantor who has placed the property in a revocable trust
8 or a qualified personal residence trust.

9 (vii) The sole present beneficiary of a trust if the trust
10 purchased or acquired the property as a principal residence for the
11 sole present beneficiary of the trust, and the sole present
12 beneficiary of the trust is totally and permanently disabled. As
13 used in this subparagraph, "totally and permanently disabled" means
14 disability as defined in section 216 of title II of the social
15 security act, 42 USC 416, without regard as to whether the sole
16 present beneficiary of the trust has reached the age of retirement.

17 (viii) A cooperative housing corporation.

18 (ix) A facility registered under the living care disclosure
19 act, 1976 PA 440, MCL 554.801 to 554.844.

20 (b) "Person", for purposes of defining owner as used in
21 section 7cc, means an individual and for purposes of defining owner
22 as used in section 7ee means an individual, partnership,
23 corporation, limited liability company, association, or other legal
24 entity.

25 (c) "Principal residence" means the 1 place where an owner of
26 the property has his or her true, fixed, and permanent home to
27 which, whenever absent, he or she intends to return and that shall

1 continue as a principal residence until another principal residence
2 is established. Except as otherwise provided in this subdivision,
3 principal residence includes only that portion of a dwelling or
4 unit in a multiple-unit dwelling that is subject to ad valorem
5 taxes and that is owned and occupied by an owner of the dwelling or
6 unit. Principal residence also includes all of an owner's
7 unoccupied property classified as residential that is adjoining or
8 contiguous to the dwelling subject to ad valorem taxes and that is
9 owned and occupied by the owner. **BEGINNING DECEMBER 31, 2005,**
10 **PRINCIPAL RESIDENCE ALSO INCLUDES ALL OF AN OWNER'S UNOCCUPIED**
11 **PROPERTY CLASSIFIED AS TIMBER-CUTOVER REAL PROPERTY UNDER SECTION**
12 **34C THAT IS ADJOINING OR CONTIGUOUS TO THE DWELLING SUBJECT TO AD**
13 **VALOREM TAXES AND THAT IS OWNED AND OCCUPIED BY THE OWNER.**
14 Contiguity is not broken by a road, a right-of-way, or property
15 purchased or taken under condemnation proceedings by a public
16 utility for power transmission lines if the 2 parcels separated by
17 the purchased or condemned property were a single parcel prior to
18 the sale or condemnation. Except as otherwise provided in this
19 subdivision, principal residence also includes any portion of a
20 dwelling or unit of an owner that is rented or leased to another
21 person as a residence as long as that portion of the dwelling or
22 unit that is rented or leased is less than 50% of the total square
23 footage of living space in that dwelling or unit. Principal
24 residence also includes a life care facility registered under the
25 living care disclosure act, 1976 PA 440, MCL 554.801 to 554.844.
26 Principal residence also includes property owned by a cooperative
27 housing corporation and occupied by tenant stockholders. Property

1 that qualified as a principal residence shall continue to qualify
2 as a principal residence for 3 years after all or any portion of
3 the dwelling or unit included in or constituting the principal
4 residence is rented or leased to another person as a residence if
5 all of the following conditions are satisfied:

6 (i) The owner of the dwelling or unit is absent while on active
7 duty in the armed forces of the United States.

8 (ii) The dwelling or unit would otherwise qualify as the
9 owner's principal residence.

10 (iii) Except as otherwise provided in this subparagraph, the
11 owner files an affidavit with the assessor of the local tax
12 collecting unit on or before May 1 attesting that it is his or her
13 intent to occupy the dwelling or unit as a principal residence upon
14 completion of active duty in the armed forces of the United States.
15 In 2008 only, the owner may file an affidavit under this
16 subparagraph on or before December 31. A copy of an affidavit filed
17 under this subparagraph shall be forwarded to the department of
18 treasury pursuant to a schedule prescribed by the department of
19 treasury.

20 (d) "Qualified agricultural property" means unoccupied
21 property and related buildings classified as agricultural, or other
22 unoccupied property and related buildings located on that property
23 devoted primarily to agricultural use as defined in section 36101
24 of the natural resources and environmental protection act, 1994 PA
25 451, MCL 324.36101. Related buildings include a residence occupied
26 by a person employed in or actively involved in the agricultural
27 use and who has not claimed a principal residence exemption on

1 other property. Property used for commercial storage, commercial
2 processing, commercial distribution, commercial marketing, or
3 commercial shipping operations or other commercial or industrial
4 purposes is not qualified agricultural property. A parcel of
5 property is devoted primarily to agricultural use only if more than
6 50% of the parcel's acreage is devoted to agricultural use. An
7 owner shall not receive an exemption for that portion of the total
8 state equalized valuation of the property that is used for a
9 commercial or industrial purpose or that is a residence that is not
10 a related building.

11 Enacting section 1. This amendatory act is retroactive and is
12 effective for the 2006, 2007, and 2008 tax years.