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BILL ANALYSIS

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Senate Bill 25 (Substitute S-3 as reported by the Committee of the Whole)
Sponsor: Senator Dave Hildenbrand
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to provide property owners with a process to request principal residence exemptions that were not included on the tax rolls; and allow the Department of Treasury to retroactively deny residence exemptions resulting from a local tax collecting unit's error.

Under the Act, a principal residence owner may claim an exemption from the tax levied by a local school district. If the exemption is not included on the tax roll, the owner may file an appeal with the local board of review in the year that the exemption was claimed or the following three years.

The bill would allow an owner to file a request with the Department for any tax years that a principal residence exemption was not included, under the following conditions:

-- The local tax collecting unit's "qualified error" caused the exemption not to be on the tax roll.
-- Within the three years before the tax roll did not include the exemption, the owner owned and occupied the property as a principal residence within the time period prescribed in the Act for filing an affidavit claiming the exemption.

If the Department granted an exemption request that resulted in an overpayment in the tax years at issue, the Department would have to notify the local tax collecting unit treasurer, county treasurer, and other affected officials. Affected official records would have to be corrected consistent with the Department's guidance. Any resulting rebate would have to be paid to the owner within 30 days of the notice. The treasurer in possession of the appropriate tax roll could deduct the rebate from the appropriate tax collecting unit's future distribution of taxes, and would have to bill the appropriate tax collecting unit for its share of the taxes rebated. The tax collecting unit responsible for the qualified error would have to reimburse affected local officials for any costs of complying with this process. If the Department denied an exemption request, the owner would be responsible for all related costs, as determined by the Department.

The bill also would allow the Department to deny exemptions that were improperly included on the tax roll within the last three years because of a local tax collecting unit's qualified error. The owner would have to be issued a corrected or supplemental tax bill. The local tax collecting unit responsible for the error would have to reimburse any local officials for any costs of complying with the denial.

MCL 211.7cc Legislative Analyst: Glenn Steffens

FISCAL IMPACT

The bill would increase local unit expenditure by an unknown and likely minimal amount. Under current law, the owners of property that would be affected by the bill must pay local school operating mills levied on nonhomestead property (property that is not a principal residence). Under the bill, if they successfully appealed, affected taxpayers would have this money refunded and the cost would ultimately affect the local unit in which they resided. Furthermore, local units that committed qualified errors affected by the bill also would be required to reimburse county treasurers and other local units affected by the error.

In cases where property owners would be granted a refund as a result of receiving a principal residence exemption, local school districts would be compensated for any revenue loss through increased School Aid Fund expenditures, which are required in order to maintain per-pupil funding guarantees. As a result, the bill would increase School Aid Fund expenditures by an unknown and likely minimal amount.

The bill also would have an additional indeterminate effect on State revenue and/or expenditures. While the bill does not specify the parties responsible for legal costs in the event an appeal was successful, the bill does indicate that if an appeal were denied, the taxpayer would be responsible for costs of the appeal. Any impact on State revenue or expenditure from legal costs is expected to be negligible.

Date Completed: 5-2-13 Fiscal Analyst: David Zin