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BILL ANALYSIS

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Senate Bill 25 (as introduced 1-16-13)
Sponsor: Senator Dave Hildenbrand
Committee: Finance

Date Completed: 4-2-13

CONTENT

The bill would amend the General Property Tax Act to provide property owners with a process to appeal to the Department of Treasury for any year that a principal residence exemption was erroneously not included on the tax rolls.

Under the Act, an owner of a principal residence may file an affidavit to claim an exemption from the tax levied by a local school district. If the exemption does not appear 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.

Tax Appeal Requirements

The bill would allow owners to file a tax appeal with the Department of Treasury for any tax year a principal exemption was not on the tax roll, under the conditions described below.

First, within the three years before the tax roll did not include the exemption, an owner would have to have owned and occupied a principal residence within the time period prescribed in the Act for filing an affidavit claiming the exemption. Based on these deadlines, the owner would have to have owned and occupied the principal residence as follows:

-- On or before May 1 of the tax year at issue with respect to property taxes levied before January 1, 2012.
-- On or before June 1 immediately before the summer tax levy at issue with respect to summer property taxes levied after December 31, 2011.
-- On or before November 1 immediately before the winter tax levy at issue with respect to winter property taxes levied after December 31, 2011.

Second, the absence of an exemption would have to be a result of an error on part of the local tax collecting unit.

(The Act defines "principal residence" as the one place where an owner has his or her true, fixed, and permanent home to which, whenever absent, he or she intends to return and that will continue as a principal residence until another principal residence is established.)

Tax Appeal Process

The appeal allowed by the bill would have to: 1) be in a form that the Department prescribed, and 2) include all documentation that the Department considered necessary to consider the appeal.

If the Department denied an exemption on appeal, the owner would be responsible for all appeal costs, as determined by the Department.

If the Department granted an exemption, and the exemption resulted in an overpayment in the tax years at issue, the Department would have to notify the county treasurer of that exemption. Within 30 days of the Department's granting an exemption, the county treasurer would have to pay a rebate to the owner. The rebate would have to include any interest the property owner paid, but would be without interest.

MCL 211.7cc Legislative Analyst: Glenn Steffens

FISCAL IMPACT

The bill would be unlikely to affect local unit revenue or expenditure. Under current law, the owners of property that would be affected by the bill must pay local school operating mills levied on nonhomestead (principal residence) property. Under the bill, if they successfully appealed, affected taxpayers would have this money refunded by the county in which they resided. Counties would recoup the costs of the refund from the local school districts that received the revenue from the operating mills. Local school districts then would be compensated for the loss through increase 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.

Fiscal Analyst: David Zin