Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4810 (Substitute H-1 as reported without amendment)
Sponsor: Representative Dave Pagel
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to eliminate a requirement that a home not be for sale, in order for the owner to continue to claim the principal residence exemption (PRE) while living in a nursing home or assisted living facility. The bill would be retroactive and effective for taxes levied after December 31, 2012.

The Act allows an individual to claim an exemption for his or her principal residence from the tax levied by a school district for school operating purposes (typically 18 mills). When the property is no longer used as a principal residence, the owner must rescind the claim of exemption, although an owner may retain the exemption under certain circumstances.

In particular, if a person previously occupied property as his or her principal residence but currently lives in a nursing home or assisted living facility, the person may retain the PRE if he or she demonstrates an intent to return to the property by satisfying several conditions.

These conditions include a requirement that the property is not for sale. The bill would delete that requirement.

MCL 211.7cc Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase School Aid Fund expenditures by an unknown and likely minimal amount. By reducing the requirements for homeowners to retain an exemption from the 18-mill school operating levy, the bill would likely increase the number of the exempt properties (or decrease the number that otherwise would become ineligible for the exemption). While the exemption would reduce local school operating revenue, the School Aid Fund would need to be increased in order to maintain per-pupil funding guarantees. The magnitude of any changes would depend on the specific characteristics of any affected property.

Because it would be retroactive, the bill would likely result in refunds during the first year it was effective. As a result, the revenue reduction would be greater, and the increase in School Aid Fund expenditures also would be higher, during the first year the bill was effective.

Date Completed: 1-30-14 Fiscal Analyst: David Zin