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BILL ANALYSIS

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House Bill 5182 (Substitute S-1 as reported)
Sponsor: Representative Dale W. Zorn
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to allow a tax exemption for a maximum of three years or five years for eligible nonprofit housing property owned by a charitable nonprofit housing organization, with approval of the State Tax Commission; and discontinue current provisions that allow a local tax collecting unit to exempt such property for up to two years.

Currently, the governing body of a local tax collecting unit may adopt a resolution to exempt eligible nonprofit housing property from the collection of taxes under the Act. The exemption will continue in effect for two years, until the eligible property is occupied by a low-income person under a lease agreement, or until there is a transfer of ownership, whichever occurs first. Under the bill, these provisions would apply until December 30, 2014.

Beginning December 31, 2014, a charitable nonprofit housing organization that owned eligible nonprofit housing property could apply to the State Tax Commission (STC) for an exemption from the collection of taxes under the Act. After consultation with the State Treasurer or his or her designee, the STC would have to grant or deny the exemption within 60 days after receiving the application.

For eligible nonprofit housing property that was a residential building lot when transferred to the charitable nonprofit housing organization, the exemption would continue in effect for a maximum of five years. For eligible property that was not a residential building lot, the exemption would continue for a maximum of three years. In either case, the exemption would terminate before the maximum period ended if either of the following occurred first: 1) the property was occupied by a low-income person under a lease agreement, or 2) the property was transferred by the organization.

Also, in either case, the exemption would have to be reduced by the number of years in which the property was exempt under the existing provisions.

Currently, "eligible nonprofit housing property" means a single-family dwelling or duplex owned by a charitable nonprofit housing organization that intends to transfer ownership to a low-income person after construction or renovation is completed. The bill also would include a residential building lot.

"Residential building lot" would include "real property on which is located a structure that will be torn down within 1 year of transfer to the charitable nonprofit housing organization".

MCL 211.7kk

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

By extending the length of time property is eligible for the exemption, the bill would reduce State and local property tax revenue, and increase School Aid Fund expenditures, by an unknown and likely negligible amount. It is unknown how many properties would be affected by the bill, the value of those properties, the applicable millage rates, the average duration of the exemption, the location of the properties, whether a local unit otherwise would approve the necessary resolution (which would no longer be required under the bill), or what properties the State Tax Commission would approve to be exempted. The reduction in State property tax revenue would lower School Aid Fund revenue. If per-pupil funding guarantees were maintained, the bill would also increase School Aid Fund expenditures in order to offset any reduction in local school operating revenue.

Date Completed: 12-5-14

Fiscal Analyst: David Zin