Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 5182 (as passed by the House)
Sponsor: Representative Dale W. Zorn
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 12-2-14

CONTENT

The bill would amend the General Property Tax Act to exempt eligible nonprofit housing for up to five years, and discontinue current provisions that allow a local tax collecting unit to exempt such property for up to two years. The bill also would include a residential building lot in property eligible for the exemption.

The current provisions would apply through December 30, 2013, and the proposed exemption would begin December 31, 2013.

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 clerk of the local tax collecting unit must notify the assessor and legislative body of each taxing unit that levies ad valorem property taxes in the local tax collecting unit, and the assessor and a representative of the taxing unit must be given an opportunity for a hearing. The exemption is effective on the December 31st after the resolution has been adopted or a building permit for the eligible property is issued, whichever is later.

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, beginning December 31, 2013, eligible nonprofit housing property would be exempt from the collection of taxes under the Act. The exemption would be effective on the December 31st in the year in which the bill took effect for eligible property owned by a charitable nonprofit housing organization at that time, or on December 31st in the year in which such an organization acquired eligible property.

The exemption would continue in effect for five years, until the property was occupied by a low-income person under a lease agreement, or until there was a transfer of ownership of the property, whichever occurred first. The exemption would have to be reduced by the number of years in which the property was exempt under the present law.

The Act defines "eligible nonprofit housing property" as a single-family dwelling or a duplex owned by a charitable nonprofit housing organization that intends to transfer ownership of the single-family dwelling or the duplex to a low-income person after construction or renovation of the dwelling or duplex is completed, to be used as that person's principal residence.

The bill instead would define "eligible nonprofit housing property" as a residential building lot, a single-family dwelling, or a duplex owned by a charitable nonprofit housing organization that intends to transfer ownership to a low-income person to be used as his or her principal residence after construction of a single-family dwelling or duplex on the residential building lot is completed or the renovation of the dwelling or duplex is completed.

The Act defines "charitable nonprofit housing organization" as a charitable nonprofit organization whose primary purpose is the construction or renovation of residential housing for conveyance to a low-income person. "Low-income person" means a person with a family income of not more than 80% of the statewide median gross income who is eligible to participate in the charitable nonprofit housing organization's program based on criteria established by the 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, or whether a local unit otherwise would approve the necessary resolution (which would no longer be required under the bill). 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.

Fiscal Analyst: David Zin

S1314\s5182sa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.