

PRINCIPAL RESIDENCE EXEMPTION AMENDMENTS

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Senate Bill 606 (S-2, as passed by the Senate)

Sponsor: Sen. Mike Shirkey

House Committee: Tax Policy

Senate Committee: Finance

Complete to 4-19-16

Analysis available at

<http://www.legislature.mi.gov>

(Enacted as Public Act 144 of 2016)

SUMMARY:

Generally speaking, owner-occupied residential property is exempt from local school operating taxes. This is known as the *principal residence exemption*, and typically a homeowner is only entitled to one such exemption. When property is no longer used as a principal residence, the owner is required to rescind the claim of exemption. Principal residences pay the 6-mill State Education Tax but are exempt from the 18-mill local school operating levy.

The bill would amend the General Property Tax Act to:

- Specify that an individual can continue to claim a principal residence exemption while on active duty as a member of the United States Armed Forces. This would apply if the owner manifests an intent to return to the property by (1) continuing to own the residence; (2) not establishing a new principal residence; (3) maintaining or providing for the maintenance of the property; and (4) not allowing the property to be used for any business or commercial purpose not otherwise permitted (such as leasing or renting the property as a residence while absent on active duty). This applies to all branches of the U.S. Armed Forces, including the Coast Guard, reserve components of all branches, and the National Guard.
- Allow an owner of property who previously occupied property as a principal residence but did not occupy that property while residing in a nursing home or assisted living facility or while absent on active duty in the Armed Forces to file an appeal with the local July board of review or December board of review in the same manner as other taxpayers if the principal residence exemption was not reflected on the tax roll.

BACKGROUND:

Nursing Home/Assisted Living

The GPTA currently allows a person who previously occupied a property as a principal residence but now resides in a nursing home or an assisted living facility to retain the exemption on property previously exempt as the principal residence if the owner "manifests an intent to return to that property" by satisfying all of the following conditions: (1) the owner continues to own the property while residing in the nursing home or assisted living facility; (2) the owner has not established a new principal residence; (3) the owner

maintains or provides for the maintenance of the property and (4) the property is not occupied, is not leased, and is not used for any business or commercial purpose.

Active Duty

Section 711dd of the GPTA currently says:

Property that qualified as a principal residence shall continue to qualify as a principal residence for three years after all or any portion of the dwelling or unit included in or constituting the principal residence is rented or leased to another person as a residence if all of the following conditions are satisfied: (1) The owner of the dwelling or unit is absent while on active duty in the armed forces of the United States; (2) the dwelling or unit would otherwise qualify as the owner's principal residence; and (3) except as otherwise provided in this subparagraph, the owner files an affidavit with the assessor of the local tax collecting unit on or before May 1 attesting that it is his or her intent to occupy the dwelling or unit as a principal residence upon completion of active duty in the Armed Forces of the United States. A copy of an affidavit filed under this subparagraph shall be forwarded to the Department of Treasury.

Principal Residence

A "principal residence" is defined, in part, as "the one place where an owner of the property has his or her true, fixed, and permanent home to which, whenever absent, he or she intends to return and that shall continue as a principal residence until another principal residence is established."

FISCAL IMPACT:

Because the bill would codify current practices followed by the Department of Treasury, there would be no state or local fiscal impact.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.