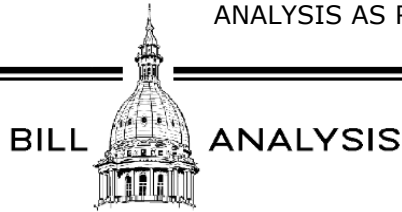




Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



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

Senate Bill 171 (Substitute S-1 as reported)
Sponsor: Senator Steven Bieda
Committee: Finance

Date Completed: 4-2-15

RATIONALE

The General Property Tax Act provides a property tax exemption for the owners of certain housing for occupancy or use solely by elderly or disabled families. The exemption begins on December 31 of the year in which it is approved. If the exemption is not approved in the year in which the owner applied for the exemption, the property owner must pay an entire year of property taxes before the exemption will go into effect. Many of the nonprofit organizations that own these properties have limited budgets, and there is concern that this tax burden might be more than they are able to pay. If an owner does not pay the property tax due, the housing is subject to forfeiture, foreclosure, and sale for taxes returned as delinquent. After an exemption is obtained, the property is still subject to forfeiture for delinquent taxes from the years in which it was not exempt. For this reason, it has been suggested that if an exemption is approved, it should go into effect in the year in which an application was submitted. Also, some believe that property that is exempt should not be subject to forfeiture as long as the exemption is in effect.

CONTENT

The bill would amend the General Property Tax Act to provide that an approved property tax exemption for housing for elderly or disabled families would begin on December 31 of the year in which a claim was properly submitted; and indicate that exempt property would not be subject to forfeiture, foreclosure, and sale for delinquent taxes.

The Act allows a tax exemption for housing owned and operated by a nonprofit corporation or association, the State, a local unit of government, or a limited dividend housing corporation, for occupancy or use solely by elderly or disabled families. The property owner may claim the exemption by filing a form prescribed by the Department of Treasury, and the local assessor must approve or disapprove the exemption. The assessor also must notify the Department of the approval or disapproval, and the Department may deny an exemption. If an exemption is granted for property that otherwise would be subject to the property tax, the State must make a payment in lieu of taxes (except for school operating taxes and the State Education Tax) to the local tax collecting unit.

An exemption begins on December 31 of the year in which it is approved. Under the bill, instead, if an exemption were approved, it would begin on December 31 of the year in which the property owner properly submitted a claim for exemption to the assessor of the local tax collecting unit.

Currently, property that is eligible for the exemption is not subject to forfeiture, foreclosure, and sale for taxes returned as delinquent under the Act for any year in which the property was exempt. The bill provides, instead, that property that was exempt would not be subject to forfeiture, foreclosure, and sale for taxes returned as delinquent under the Act.

The bill would take effect 90 days after being signed into law.

MCL 211.7d

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would strengthen the property tax exemption for housing that is occupied and used by elderly and disabled families and owned by a nonprofit entity, limited dividend housing corporation, the State, or a local unit. Under the current law, an organization can be required to pay property taxes on housing for a year, even though the housing is eligible for the exemption, because the approval process crosses over to another year. This may occur because of delays in application processing, or because the application is submitted near the end of the year. If the organization cannot pay the taxes, the property is subject to forfeiture for delinquent taxes, even if an exemption is granted for subsequent years. The bill would remedy this problem by providing for the tax exemption to begin on December 31 of the year it was properly claimed, as long as the exemption was ultimately approved by the Department of Treasury. The bill also provides that as long as an exemption was in effect, the property would not be subject to forfeiture, foreclosure, and sale for taxes returned as delinquent.

Response: Currently, an organization must apply first for an exemption with the local assessor. After the assessor determines eligibility, the application materials are forwarded to the Department of Treasury. The application process could be shortened if an organization were able to apply to the local assessor and the Treasury at the same time.

Legislative Analyst: Ryan M. Bergan

FISCAL IMPACT

The bill would have an unknown and likely negligible impact on State and local unit revenue and expenditures. For affected properties, where an exemption is approved in a different tax year than when submitted, the bill would make the exemption effective one year earlier. The exemption reduces both State and local unit revenue. For local units, the loss is generally reimbursed by State General Fund revenue. Losses to local school districts attributable to the 18-mill operating levy increase State School Aid Fund expenditures due to State per-pupil funding guarantees.

It is impossible to know how many exemptions will be filed, the specific characteristics of the affected properties, or the number of those filings that will not be approved during the tax year in which they are filed. However, the number of affected properties is expected to be minimal and the impact on both State expenditures and State revenue to be negligible.

Fiscal Analyst: David Zin

SAS\A1516\sb171a

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.