



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 171 (Substitute S-2 as passed by the Senate)
Sponsor: Senator Steven Bieda
Committee: Finance

Date Completed: 1-6-16

RATIONALE

Section 7d of the General Property Tax Act provides a property tax exemption for housing that is owned by certain entities for occupancy or use solely by elderly or disabled families. The exemption begins on December 31 of the year in which it is approved. Thus, if an application for the exemption is submitted in one year but approved the next, the property owner must property taxes for the year in which the application was submitted. 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 can afford. If an owner does not pay the property tax due, the housing is subject to forfeiture, foreclosure, and sale for delinquent taxes, regardless of whether the exemption was subsequently approved. 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 timely submitted.

CONTENT

The bill would amend Section 7d of the General Property Tax Act to do the following:

- **Provide for an approved exemption to take effect in the year in which the exemption was claimed, if the claim had been filed by October 31 and the facility were complete.**
- **Require a claim for exemption to be filed simultaneously with the local assessor and the Department of Treasury.**
- **Require the assessor to approve or disapprove a claim for exemption within 60 days after receiving it, and to notify the owner and the Department of the approval or disapproval by December 31 after the initial filing.**
- **Allow the Department to grant an exemption, effective December 31, 2011, for property that would have qualified for it if an application had been timely filed in 2011.**

Under Section 7d, housing that is 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, is exempt from the collection of taxes under the Act. 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.

Under the bill, a property owner could claim an exemption by simultaneously filing a form prescribed by the Department with both the assessor of the local taxing unit and the Department not later than October 31. The assessor would have to approve or disapprove the exemption within 60 days of receiving the claim, and notify the owner and the Department of the approval or disapproval by December 31 following the initial filing. As currently allowed, the Department could deny an exemption.

An exemption currently begins on December 31 of the year in which it is approved. Under the bill, instead, if a claim for exemption were filed by October 31 and were approved, the exemption would begin on December 31 of the year in which the facility was fully and finally completed and the property owner properly submitted a claim for exemption to the local assessor.

The bill also would authorize the Department to grant an exemption, effective December 31, 2011, for property that would have qualified for the exemption if an application had been timely filed in 2011. (Section 7d similarly allowed the Department to grant an exemption for 2012 and the three preceding years for property that would have qualified for the exemption if the owner had timely filed the required form in 2010.)

The bill would take effect 90 days after being enacted.

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 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 had been claimed by October 31 and the facility was fully complete.

The bill also would expedite the application process by requiring a property owner to submit a claim to the local assessor and the Department of Treasury at the same time. Currently, an owner must apply first with the local assessor and, after the assessor determines eligibility, the application materials are forwarded to the Department. This process can cause unnecessary delays.

Legislative Analyst: Suzanne Lowe

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, even accounting for the retroactive aspect of the bill.

Fiscal Analyst: David Zin

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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.