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BILL ANALYSIS



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Senate Bill 606 (as introduced 11-5-15)
Sponsor: Senator Mike Shirkey
Committee: Finance

Date Completed: 2-2-16

CONTENT

The bill would amend the General Property Tax Act to allow an individual to continue to claim a principal residence exemption (PRE) if he or she were deployed or stationed elsewhere for active duty as a member of any branch of the United States Armed Forces.

The Act exempts an individual's principal residence from the tax levied by a school district for school operating purposes (typically 18 mills), to the extent provided in the Revised School Code. To claim the PRE, the homeowner must file with the local tax collecting unit an affidavit stating that he or she owns and occupies the property as a principal residence. When the property is no longer used as a principal residence, the owner is required to rescind the claim of exemption, although an owner may retain the exemption under certain circumstances.

In particular, if a person previously occupied property as his or her principal residence but currently lives in a nursing home or assisted living facility, the person may retain the PRE if he or she demonstrates an intent to return to the property by satisfying all of the following conditions:

- The person continues to own the property while living in a nursing home or assisted living facility.
- The person has not established a new principal residence.
- The person maintains or provides for the maintenance of the property.
- The property is not occupied, is not leased, and is not used for any business or commercial purpose.

The bill also would allow an owner of property who previously occupied that property as his or her principal residence to continue to retain the exemption on that property if he or she were deployed or stationed elsewhere for active duty as a member of any branch of the United States Armed Forces, including the Coast Guard, a reserve component of any branch of the United States Armed Forces, or the National Guard, as long as he or she established an intent to return to that property by satisfying all of the following conditions:

- The owner continued to own that property while deployed or stationed elsewhere for active duty.
- The owner had not established a new principal residence.
- The owner maintained or provided for the maintenance of that property while deployed or stationed elsewhere for active duty.
- The property was not occupied; except as otherwise provided in Section 7dd(c), was not leased; and was not used for any business or commercial purpose.

(Section 7dd(c) defines "principal residence" as the one place where an owner of the property has his or her true, fixed, and permanent home to which he or she intends to return to whenever absent, and that will remain his or her principal residence until another one is established. Except as otherwise provided, "principal residence" includes only that portion of a dwelling or unit in a multiple-unit dwelling that is subject to ad valorem taxes and that is owned and occupied by an owner of the dwelling or unit.

"Principal residence" includes any portion of a dwelling or unit of an owner that is rented or leased to another person as a residence as long as that portion of the dwelling or unit is less than 50% of the total square footage of living space in the dwelling or unit. In addition, property that qualified as a principal residence will 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 residence is rented or leased to another person as a residence if all of the following conditions are satisfied:

- The owner of the dwelling or unit is absent while on active duty in the United States Armed Forces.
- The dwelling or unit would otherwise qualify as the owner's principal residence.
- The owner files an affidavit with the assessor of the local tax collecting unit 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.)

MCL 211.7cc

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have no fiscal impact on State or local government. According to the Department of Treasury, the General Property Tax Act is interpreted currently to extend the principal residence exemption to active duty service members stationed elsewhere. There also is an existing exception that allows active duty service members deployed elsewhere to retain the principal residence exemption while renting the residence to another person for three years, if the property would otherwise qualify as a principal residence and the owner attests that it is his or her intent to return to the dwelling as a principal residence at the conclusion of active duty.

Fiscal Analyst: Elizabeth Pratt

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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.