Legislative Analysis

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PRINCIPAL RESIDENCE EXEMPTION FOR NURSING HOME OR ASSISTED CARE FACILITY RESIDENTS

House Bill 4905 as introduced
Sponsor: Rep. Peter J. Lucido
Committee: Tax Policy
Complete to 11-6-17

BRIEF SUMMARY:

HB 4905 would amend the General Property Tax Act to remove a requirement that a property must be unoccupied for an individual who resides in a nursing home or assisted care facility to continue to claim a principal residence exemption (PRE) on the property.

MCL 211.7cc

DETAILED SUMMARY:

Currently under the act, an owner of property who previously occupied that property as a principal residence but now resides in a nursing home or assisted facility can retain the PRE if certain criteria are met. The individual must manifest an intent to return to the property by satisfying all of the following:

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

The bill would remove the requirement that the property "is not occupied." That is, the bill would allow an individual residing in a nursing home or assisted living facility to retain a PRE on the property, even if it were occupied, so long as the other criteria were met.

FISCAL IMPACT:

As written, the bill would broaden the requirements for claiming a principal residence exemption, which would result in a reduction in the 18-mill levy earmarked for local schools and would require an increase in School Aid Fund expenditures to maintain the existing foundation allowance. Because the number of eligible residences and corresponding taxable values cannot be identified in advance, it is not possible to calculate the actual reduction in the non-homestead levy, although the total fiscal impact would likely be small.

Purely as an example, for a residence with a taxable value of $55,000 (roughly the statewide average), an exemption from the 18-mill non-homestead levy would reduce local K-12 revenue by just under $1,000. Thus, if 1,000 taxpayers availed themselves of this provision, the total reduction in revenue would be about $1.0 million.

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