

Legislative Analysis



RETAIN PRINCIPAL RESIDENCE EXEMPTION FOR PROPERTY DEMOLISHED OR DESTROYED

Phone: (517) 373-8080
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House Bill 5454 as enacted
Public Act 633 of 2018
Sponsor: Rep. Peter J. Lucido
House Committee: Tax Policy
Senate Committee: Finance
Complete to 1-4-19

BRIEF SUMMARY: House Bill 5454 amends the General Property Tax Act to allow for the continuation of a Principal Residence Exemption (PRE) for an individual who has vacated the property due to damage or destruction and who meets criteria regarding an intent to return to the property. A PRE exempts an individual's primary residence from the 18 mills (generally) levied for local school operating purposes.

FISCAL IMPACT: As written, the bill would have no direct impact on state revenue, although to the extent that principal residence exemptions are continued for the affected properties, expenditures from the School Aid Fund might need to increase to maintain the foundation allowance. It is not possible to determine the impact of allowing the PRE to continue without knowing the taxable value of each affected parcel, although the overall potential impact is likely to be very small.

THE APPARENT PROBLEM:

A principal residence exemption is a valuable tax benefit for homeowners in Michigan. There are procedures to obtain, rescind, or reject a PRE, generally involving interactions between homeowners and local assessors.

One instance in which an existing PRE might be denied is if the home is no longer the principal residence of a person because the home has been damaged or destroyed and the person is living elsewhere. This could be the case even if the person intends to repair the home and return.

Some believe that taking away this valuable tax benefit when a person is in a difficult situation—living elsewhere, filing insurance claims, saving for renovations—is unfair. Legislation has been introduced to allow a person to continue the PRE in an instance of damage or destruction, as long as certain criteria are met.

THE CONTENT OF THE BILL:

Under the bill, an owner of property who previously occupied and claimed that property as a principal residence, but has vacated due to damage or destruction by an accident, act of God, or act of another person without the owner's consent, may retain the exemption on

that property for the tax year in which the damage or destruction occurred and the immediately succeeding two tax years if the owner manifests an intent to return.

The intent to return is met by satisfying all of the following:

- The owner continues to own the property while absent due to the damage or destruction.
- The owner has not established a new principal residence.
- The owner provides for reconstruction of the principal residence for purposes of occupying the reconstructed dwelling upon its completion.
- The property is not occupied, leased, or used for any business or commercial purpose.

MCL 211.7cc

ARGUMENTS:

For:

The bill simply allows an individual to keep his or her PRE when faced with an already difficult situation. Regardless of the issue—a house fire, a flooded basement, or tornado damage—if an individual has to temporarily move due to one of these situations, the person should not lose his or her PRE. Finally, the bill has a time limit and requirements to ensure that the owner is making an effort to repair and return to the home.

Against:

No arguments against the bill were offered in House committee.

Legislative Analysts: Rick Yuille
Patrick Morris
Fiscal Analyst: Jim Stansell

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