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BILL



ANALYSIS

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House Bill 5454 (Substitute H-2 as passed by the House)
Sponsor: Representative Peter J. Lucido
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 11-26-18

CONTENT

The bill would amend the General Property Tax Act to do the following:

- **Allow a property owner who previously occupied the property as his or her principal residence but had vacated the property because it was damaged or destroyed to retain a principal residence exemption (PRE) if the owner met certain conditions.**
- **Allow an owner of property who previously occupied that property as his or her principal residence but did not occupy that property on June 1 or November 1 while absent due to the damage or destruction of the property for which the exemption was not on the tax roll to file an appeal with the July or December board of review.**

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 an affidavit with the local tax collecting unit.

Not more than 90 days after the exempted property is no longer used as a principal residence, the owner must rescind the claim of exemption by filing a form with the local tax collecting unit. However, an owner may retain the exemption under certain circumstances.

Under the bill, if an owner of property who previously claimed and occupied the property as his or her principal residence had vacated because the residence was damaged or destroyed by an accident, act of God, or act of another person without the owner's consent, including a fire caused by accident, act of God, or act of another person without the owner's consent, that owner could retain an exemption on that property for not longer than the tax year during which the damage or destruction occurred and the immediately succeeding two tax years if the owner manifested an intent to return to that property by satisfying all of the following conditions:

- The owner continued to own that property while absent because of the damage or destruction of the principal residence.
- The owner had not established a new principal residence.
- The owner provided for the reconstruction of the principal residence for purposes of occupying it upon its completion as his or her principal residence.
- The property was not occupied, leased, and used for any business or commercial purpose.

"Business or commercial purpose" would mean commercial purpose as that term is defined in Section 27a: used in connection with any business or other undertaking intended for profit, but does not include the rental of residential real property for a period of less than 15 days in a calendar year.

Under the General Property Tax Act, for taxes levied after December 31, 2011, an owner who owned and occupied a principal residence on June 1 or November 1 for which the exemption was not on the tax roll, or an owner of property who previously occupied that property as his or her principal residence but did not occupy that property on those dates while residing in a nursing home, assisted living facility, or other specified location, or while absent on 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, for which the exemption was not on the tax roll, may file an appeal with the July or December board of review in the year for which the exemption was claimed or the immediately succeeding three years.

The bill would include in this provision an owner of property who previously occupied that property as his or her principal residence but did not occupy that property on June 1 or November 1 while absent due to the damage or destruction of the principal residence as described under the bill.

MCL 211.7cc

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have a negative fiscal impact on the State and no fiscal impact on local governments. It would increase School Aid Fund expenditures by an unknown, but likely minimal, amount. By reducing the requirements for homeowners to retain an exemption from the 18-mill school operating levy, the bill likely would increase the number of the exempt properties (or decrease the number that otherwise would become ineligible for the exemption). Since the exemption would reduce local school operating revenue, expenditures from the School Aid Fund would need to be increased in order to maintain per-pupil funding guarantees. The magnitude of any changes would depend on the specific characteristics of any affected property.

Fiscal Analyst: Ryan Bergan

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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.