

HOUSE BILL No. 4335

March 8, 2017, Introduced by Reps. Pagel, Lucido, Hughes, Kahle, Brann, Hoadley, Faris, Sneller, Whiteford, Miller and LaSata and referred to the Committee on Tax Policy.

A bill to amend 1893 PA 206, entitled
"The general property tax act,"
by amending section 7cc (MCL 211.7cc), as amended by 2016 PA 144.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 7cc. (1) A principal residence is exempt from the tax
2 levied by a local school district for school operating purposes to
3 the extent provided under section 1211 of the revised school code,
4 1976 PA 451, MCL 380.1211, if an owner of that principal residence
5 claims an exemption as provided in this section. Notwithstanding
6 the tax day provided in section 2, the status of property as a
7 principal residence shall be determined on the date an affidavit
8 claiming an exemption is filed under subsection (2).

9 (2) Except as otherwise provided in subsection (5), an owner
10 of property may claim 1 exemption under this section by filing an
11 affidavit on or before May 1 for taxes levied before January 1,

1 2012 or, for taxes levied after December 31, 2011, on or before
2 June 1 for the immediately succeeding summer tax levy and all
3 subsequent tax levies or on or before November 1 for the
4 immediately succeeding winter tax levy and all subsequent tax
5 levies with the local tax collecting unit in which the property is
6 located. The affidavit shall state that the property is owned and
7 occupied as a principal residence by that owner of the property on
8 the date that the affidavit is signed. The affidavit shall be on a
9 form prescribed by the department of treasury. One copy of the
10 affidavit shall be retained by the owner, 1 copy shall be retained
11 by the local tax collecting unit until any appeal or audit period
12 under this act has expired, and 1 copy shall be forwarded to the
13 department of treasury pursuant to subsection (4), together with
14 all information submitted under subsection (28) for a cooperative
15 housing corporation. The affidavit shall require the owner claiming
16 the exemption to indicate if that owner or that owner's spouse has
17 claimed another exemption on property in this state that is not
18 rescinded or a substantially similar exemption, deduction, or
19 credit on property in another state that is not rescinded. If the
20 affidavit requires an owner to include a social security number,
21 that owner's number is subject to the disclosure restrictions in
22 1941 PA 122, MCL 205.1 to 205.31. If an owner of property filed an
23 affidavit for an exemption under this section before January 1,
24 2004, that affidavit shall be considered the affidavit required
25 under this subsection for a principal residence exemption and that
26 exemption shall remain in effect until rescinded as provided in
27 this section.

1 (3) Except as otherwise provided in subsection (5), a married
2 couple who are required to file or who do file a joint Michigan
3 income tax return are entitled to not more than 1 exemption under
4 this section. For taxes levied after December 31, 2002, a person is
5 not entitled to an exemption under this section if any of the
6 following conditions occur:

7 (a) That person has claimed a substantially similar exemption,
8 deduction, or credit, **REGARDLESS OF AMOUNT**, on property in another
9 state that is not rescinded. **ALL OF THE FOLLOWING APPLY IF A PERSON**
10 **HAS CLAIMED AN EXEMPTION UNDER THIS SECTION ON PROPERTY IN THIS**
11 **STATE WHILE CLAIMING A SUBSTANTIALLY SIMILAR EXEMPTION, DEDUCTION,**
12 **OR CREDIT, REGARDLESS OF AMOUNT, ON PROPERTY IN ANOTHER STATE:**

13 (i) **THE CLAIM FOR EXEMPTION ON PROPERTY IN THIS STATE IS**
14 **RESCINDED EFFECTIVE THE TAX YEAR IN WHICH THE PERSON FIRST RECEIVES**
15 **THE TAX BENEFIT OF THE SUBSTANTIALLY SIMILAR EXEMPTION, DEDUCTION,**
16 **OR CREDIT ON PROPERTY IN ANOTHER STATE.**

17 (ii) **TO RECLAIM THE EXEMPTION UNDER THIS SECTION ON PROPERTY**
18 **IN THIS STATE AFTER A RESCISSION UNDER SUBPARAGRAPH (i) , THE PERSON**
19 **MUST DO ALL OF THE FOLLOWING IN A TAX YEAR SUBSEQUENT TO THE YEAR**
20 **OF THAT RESCISSION DURING WHICH THE PERSON DOES NOT RECEIVE THE TAX**
21 **BENEFIT OF THE SUBSTANTIALLY SIMILAR EXEMPTION, DEDUCTION, OR**
22 **CREDIT ON PROPERTY IN ANOTHER STATE:**

23 (A) **FILE AN AFFIDAVIT WITH THE LOCAL TAX COLLECTING UNIT**
24 **STATING THAT ALL CLAIMS OF ANY SUBSTANTIALLY SIMILAR EXEMPTION,**
25 **DEDUCTION, OR CREDIT ON PROPERTY IN ANOTHER STATE HAVE BEEN**
26 **RESCINDED AND PROVIDE ANY RELEVANT SUPPORTING DOCUMENTATION**
27 **REASONABLY REQUESTED BY THE LOCAL TAX COLLECTING UNIT.**

1 (B) FILE AN AFFIDAVIT WITH THE LOCAL TAX COLLECTING UNIT
2 CLAIMING THE EXEMPTION UNDER THIS SECTION ON THE PROPERTY IN THIS
3 STATE PURSUANT TO SUBSECTION (2) AND COMPLY WITH ALL OTHER
4 REQUIREMENTS FOR CLAIMING THE EXEMPTION PURSUANT TO SUBSECTION (2) .

5 (iii) IF A CLAIM FOR THE EXEMPTION UNDER THIS SECTION IS MADE
6 IN ACCORDANCE WITH SUBPARAGRAPH (ii) , 1 OF THE FOLLOWING APPLIES ,
7 AS APPROPRIATE:

8 (A) IF THE AFFIDAVIT UNDER SUBPARAGRAPH (ii) (B) IS FILED ON OR
9 BEFORE JUNE 1 , THE CLAIM FOR EXEMPTION APPLIES TO THE IMMEDIATELY
10 SUCCEEDING SUMMER TAX LEVY AND ALL SUBSEQUENT TAX LEVIES AS
11 PROVIDED IN SUBSECTION (2) .

12 (B) IF THE AFFIDAVIT UNDER SUBPARAGRAPH (ii) (B) IS FILED ON OR
13 BEFORE NOVEMBER 1 , THE CLAIM FOR EXEMPTION APPLIES TO THE
14 IMMEDIATELY SUCCEEDING WINTER TAX LEVY AND ALL SUBSEQUENT TAX
15 LEVIES AS PROVIDED IN SUBSECTION (2) .

16 (iv) NOTWITHSTANDING ANY PROVISION IN THIS ACT TO THE
17 CONTRARY, A CLAIM FOR EXEMPTION UNDER THIS SECTION MAY BE DENIED
18 FOR THE CURRENT YEAR AND THE IMMEDIATELY PRECEDING 7 CALENDAR YEARS
19 IF THE DENIAL IS MADE ON THE GROUNDS THAT THE PROPERTY OWNER
20 CLAIMED A SUBSTANTIALLY SIMILAR EXEMPTION, DEDUCTION, OR CREDIT ON
21 PROPERTY IN ANOTHER STATE. FOR PURPOSES OF A DENIAL UNDER THIS
22 SUBPARAGRAPH, A RESCISSION DESCRIBED IN SUBPARAGRAPH (ii) (A)
23 APPLIES ONLY PROSPECTIVELY, EVEN IF THE PROPERTY OWNER WAS
24 RETROACTIVELY RESPONSIBLE FOR NONHOMESTEAD OR EQUIVALENT TAXES ON
25 RESCINDED PROPERTY IN ANOTHER STATE.

26 (b) Subject to subdivision (a), that person or his or her
27 spouse owns property in a state other than this state for which

1 that person or his or her spouse claims an exemption, deduction, or
2 credit substantially similar to the exemption provided under this
3 section, unless that person and his or her spouse file separate
4 income tax returns.

5 (c) That person has filed a nonresident Michigan income tax
6 return, except active duty military personnel stationed in this
7 state with his or her principal residence in this state.

8 (d) That person has filed an income tax return in a state
9 other than this state as a resident, except active duty military
10 personnel stationed in this state with his or her principal
11 residence in this state.

12 (e) That person has previously rescinded an exemption under
13 this section for the same property for which an exemption is now
14 claimed and there has not been a transfer of ownership of that
15 property after the previous exemption was rescinded, if either of
16 the following conditions is satisfied:

17 (i) That person has claimed an exemption under this section
18 for any other property for that tax year.

19 (ii) That person has rescinded an exemption under this section
20 on other property, which exemption remains in effect for that tax
21 year, and there has not been a transfer of ownership of that
22 property.

23 (4) Upon receipt of an affidavit filed under subsection (2)
24 and unless the claim is denied under this section, the assessor
25 shall exempt the property from the collection of the tax levied by
26 a local school district for school operating purposes to the extent
27 provided under section 1211 of the revised school code, 1976 PA

1 451, MCL 380.1211, as provided in subsection (1) until December 31
2 of the year in which the property is transferred or, except as
3 otherwise provided in subsections (5) and (32), is no longer a
4 principal residence as defined in section 7dd. The local tax
5 collecting unit shall forward copies of affidavits to the
6 department of treasury according to a schedule prescribed by the
7 department of treasury.

8 (5) Except as otherwise provided in this subsection, not more
9 than 90 days after exempted property is no longer used as a
10 principal residence by the owner claiming an exemption, that owner
11 shall rescind the claim of exemption by filing with the local tax
12 collecting unit a rescission form prescribed by the department of
13 treasury. If an owner is eligible for and claims an exemption for
14 that owner's current principal residence, that owner may retain an
15 exemption for not more than 3 tax years on property previously
16 exempt as his or her principal residence if that property is not
17 occupied, is for sale, is not leased, and is not used for any
18 business or commercial purpose by filing a conditional rescission
19 form prescribed by the department of treasury with the local tax
20 collecting unit within the time period prescribed in subsection
21 (2). Beginning in the 2012 tax year, subject to the payment
22 requirement set forth in this subsection, if a land contract
23 vendor, bank, credit union, or other lending institution owns
24 property as a result of a foreclosure or forfeiture of a recorded
25 instrument under chapter 31, 32, or 57 of the revised judicature
26 act of 1961, 1961 PA 236, MCL 600.3101 to 600.3285 and MCL 600.5701
27 to 600.5759, or through deed or conveyance in lieu of a foreclosure

1 or forfeiture on that property and that property had been exempt
2 under this section immediately preceding the foreclosure, that land
3 contract vendor, bank, credit union, or other lending institution
4 may retain an exemption on that property at the same percentage of
5 exemption that the property previously had under this section if
6 that property is not occupied other than by the person who claimed
7 the exemption under this section immediately preceding the
8 foreclosure or forfeiture, is for sale, is not leased to any person
9 other than the person who claimed the exemption under this section
10 immediately preceding the foreclosure, and is not used for any
11 business or commercial purpose. A land contract vendor, bank,
12 credit union, or other lending institution may claim an exemption
13 under this subsection by filing a conditional rescission form
14 prescribed by the department of treasury with the local tax
15 collecting unit within the time period prescribed in subsection
16 (2). Property is eligible for a conditional rescission if that
17 property is available for lease and all other conditions under this
18 subsection are met. A copy of a conditional rescission form shall
19 be forwarded to the department of treasury according to a schedule
20 prescribed by the department of treasury. An owner or a land
21 contract vendor, bank, credit union, or other lending institution
22 that files a conditional rescission form shall annually verify to
23 the assessor of the local tax collecting unit on or before December
24 31 that the property for which the principal residence exemption is
25 retained is not occupied other than by the person who claimed the
26 exemption under this section immediately preceding the foreclosure
27 or forfeiture, is for sale, is not leased except as otherwise

1 provided in this section, and is not used for any business or
2 commercial purpose. The land contract vendor, bank, credit union,
3 or other lending institution may retain the exemption authorized
4 under this section for not more than 3 tax years. If an owner or a
5 land contract vendor, bank, credit union, or other lending
6 institution does not annually verify by December 31 that the
7 property for which the principal residence exemption is retained is
8 not occupied other than by the person who claimed the exemption
9 under this section immediately preceding the foreclosure or
10 forfeiture, is for sale, is not leased except as otherwise provided
11 in this section, and is not used for any business or commercial
12 purpose, the assessor of the local tax collecting unit shall deny
13 the principal residence exemption on that property. Except as
14 otherwise provided in this section, if property subject to a
15 conditional rescission is leased, the local tax collecting unit
16 shall deny that conditional rescission and that denial is
17 retroactive and is effective on December 31 of the year immediately
18 preceding the year in which the property subject to the conditional
19 rescission is leased. An owner who fails to file a rescission as
20 required by this subsection is subject to a penalty of \$5.00 per
21 day for each separate failure beginning after the 90 days have
22 elapsed, up to a maximum of \$200.00. This penalty shall be
23 collected under 1941 PA 122, MCL 205.1 to 205.31, and shall be
24 deposited in the state school aid fund established in section 11 of
25 article IX of the state constitution of 1963. This penalty may be
26 waived by the department of treasury. If a land contract vendor,
27 bank, credit union, or other lending institution retains an

1 exemption on property under this subsection, that land contract
2 vendor, bank, credit union, or other lending institution shall pay
3 an amount equal to the additional amount that land contract vendor,
4 bank, credit union, or other lending institution would have paid
5 under section 1211 of the revised school code, 1976 PA 451, MCL
6 380.1211, if an exemption had not been retained on that property,
7 together with an administration fee equal to the property tax
8 administration fee imposed under section 44. The payment required
9 under this subsection shall be collected by the local tax
10 collecting unit at the same time and in the same manner as taxes
11 collected under this act. The administration fee shall be retained
12 by the local tax collecting unit. The amount collected that the
13 land contract vendor, bank, credit union, or other lending
14 institution would have paid under section 1211 of the revised
15 school code, 1976 PA 451, MCL 380.1211, if an exemption had not
16 been retained on that property is an amount that is not captured by
17 any authority as tax increment revenues and shall be distributed to
18 the department of treasury monthly for deposit into the state
19 school aid fund established in section 11 of article IX of the
20 state constitution of 1963. If a land contract vendor, bank, credit
21 union, or other lending institution transfers ownership of property
22 for which an exemption is retained under this subsection, that land
23 contract vendor, bank, credit union, or other lending institution
24 shall rescind the exemption as provided in this section and shall
25 notify the treasurer of the local tax collecting unit of that
26 transfer of ownership. If a land contract vendor, bank, credit
27 union, or other lending institution fails to make the payment

1 required under this subsection for any property within the period
2 for which property taxes are due and payable without penalty, the
3 local tax collecting unit shall deny that conditional rescission
4 and that denial is retroactive and is effective on December 31 of
5 the immediately preceding year. If the local tax collecting unit
6 denies a conditional rescission, the local tax collecting unit
7 shall remove the exemption of the property and the amount due from
8 the land contract vendor, bank, credit union, or other lending
9 institution shall be a tax so that the additional taxes, penalties,
10 and interest shall be collected as provided for in this section. If
11 payment of the tax under this subsection is not made by the March 1
12 following the levy of the tax, the tax shall be turned over to the
13 county treasurer and collected in the same manner as delinquent
14 taxes under this act. An owner of property who previously occupied
15 that property as his or her principal residence but now resides in
16 a nursing home or assisted living facility may retain an exemption
17 on that property if the owner manifests an intent to return to that
18 property by satisfying all of the following conditions:

19 (a) The owner continues to own that property while residing in
20 the nursing home or assisted living facility.

21 (b) The owner has not established a new principal residence.

22 (c) The owner maintains or provides for the maintenance of
23 that property while residing in the nursing home or assisted living
24 facility.

25 (d) That property is not occupied, is not leased, and is not
26 used for any business or commercial purpose.

27 (6) Except as otherwise provided in subsections (5) and (32),

1 if the assessor of the local tax collecting unit believes that the
2 property for which an exemption is claimed is not the principal
3 residence of the owner claiming the exemption, the assessor may
4 deny a new or existing claim by notifying the owner and the
5 department of treasury in writing of the reason for the denial and
6 advising the owner that the denial may be appealed to the
7 residential and small claims division of the Michigan tax tribunal
8 within 35 days after the date of the notice. ~~The~~**EXCEPT AS**
9 **OTHERWISE PROVIDED IN SUBSECTION (3) (A) (iv) , THE** assessor may deny
10 a claim for exemption for the current year and for the 3
11 immediately preceding calendar years. If the assessor denies an
12 existing claim for exemption, the assessor shall remove the
13 exemption of the property and, if the tax roll is in the local tax
14 collecting unit's possession, amend the tax roll to reflect the
15 denial and the local treasurer shall within 30 days of the date of
16 the denial issue a corrected tax bill for any additional taxes with
17 interest at the rate of 1.25% per month or fraction of a month and
18 penalties computed from the date the taxes were last payable
19 without interest or penalty. If the tax roll is in the county
20 treasurer's possession, the tax roll shall be amended to reflect
21 the denial and the county treasurer shall within 30 days of the
22 date of the denial prepare and submit a supplemental tax bill for
23 any additional taxes, together with interest at the rate of 1.25%
24 per month or fraction of a month and penalties computed from the
25 date the taxes were last payable without interest or penalty.
26 Interest on any tax set forth in a corrected or supplemental tax
27 bill shall again begin to accrue 60 days after the date the

1 corrected or supplemental tax bill is issued at the rate of 1.25%
2 per month or fraction of a month. Taxes levied in a corrected or
3 supplemental tax bill shall be returned as delinquent on the March
4 1 in the year immediately succeeding the year in which the
5 corrected or supplemental tax bill is issued. If the assessor
6 denies an existing claim for exemption, the interest due shall be
7 distributed as provided in subsection (25). However, if the
8 property has been transferred to a bona fide purchaser before
9 additional taxes were billed to the seller as a result of the
10 denial of a claim for exemption, the taxes, interest, and penalties
11 shall not be a lien on the property and shall not be billed to the
12 bona fide purchaser, and the local tax collecting unit if the local
13 tax collecting unit has possession of the tax roll or the county
14 treasurer if the county has possession of the tax roll shall notify
15 the department of treasury of the amount of tax due, interest, and
16 penalties through the date of that notification. The department of
17 treasury shall then assess the owner who claimed the exemption
18 under this section for the tax, interest, and penalties accruing as
19 a result of the denial of the claim for exemption, if any, as for
20 unpaid taxes provided under 1941 PA 122, MCL 205.1 to 205.31, and
21 shall deposit any tax or penalty collected into the state school
22 aid fund and shall distribute any interest collected as provided in
23 subsection (25). The denial shall be made on a form prescribed by
24 the department of treasury. If the property for which the assessor
25 has denied a claim for exemption under this subsection is located
26 in a county in which the county treasurer or the county
27 equalization director have elected to audit exemptions under

1 subsection (10), the assessor shall notify the county treasurer or
2 the county equalization director of the denial under this
3 subsection.

4 (7) If the assessor of the local tax collecting unit believes
5 that the property for which the exemption is claimed is not the
6 principal residence of the owner claiming the exemption and has not
7 denied the claim, the assessor shall include a recommendation for
8 denial with any affidavit that is forwarded to the department of
9 treasury or, for an existing claim, shall send a recommendation for
10 denial to the department of treasury, stating the reasons for the
11 recommendation.

12 (8) The department of treasury shall determine if the property
13 is the principal residence of the owner claiming the exemption.
14 Except as otherwise provided in ~~subsection~~ **SUBSECTIONS (3) (A) (iv)**
15 **AND** (21), the department of treasury may review the validity of
16 exemptions for the current calendar year and for the 3 immediately
17 preceding calendar years. Except as otherwise provided in
18 subsections (5) and (32), if the department of treasury determines
19 that the property is not the principal residence of the owner
20 claiming the exemption, the department shall send a notice of that
21 determination to the local tax collecting unit and to the owner of
22 the property claiming the exemption, indicating that the claim for
23 exemption is denied, stating the reason for the denial, and
24 advising the owner claiming the exemption of the right to appeal
25 the determination to the department of treasury and what those
26 rights of appeal are. The department of treasury may issue a notice
27 denying a claim if an owner fails to respond within 30 days of

1 receipt of a request for information from that department. An owner
2 may appeal the denial of a claim of exemption to the department of
3 treasury within 35 days of receipt of the notice of denial. An
4 appeal to the department of treasury shall be conducted according
5 to the provisions for an informal conference in section 21 of 1941
6 PA 122, MCL 205.21. Within 10 days after acknowledging an appeal of
7 a denial of a claim of exemption, the department of treasury shall
8 notify the assessor and the treasurer for the county in which the
9 property is located that an appeal has been filed. Upon receipt of
10 a notice that the department of treasury has denied a claim for
11 exemption, the assessor shall remove the exemption of the property
12 and, if the tax roll is in the local tax collecting unit's
13 possession, amend the tax roll to reflect the denial and the local
14 treasurer shall within 30 days of the date of the denial issue a
15 corrected tax bill for any additional taxes with interest at the
16 rate of 1.25% per month or fraction of a month and penalties
17 computed from the date the taxes were last payable without interest
18 and penalty. If the tax roll is in the county treasurer's
19 possession, the tax roll shall be amended to reflect the denial and
20 the county treasurer shall within 30 days of the date of the denial
21 prepare and submit a supplemental tax bill for any additional
22 taxes, together with interest at the rate of 1.25% per month or
23 fraction of a month and penalties computed from the date the taxes
24 were last payable without interest or penalty. Interest on any tax
25 set forth in a corrected or supplemental tax bill shall again begin
26 to accrue 60 days after the date the corrected or supplemental tax
27 bill is issued at the rate of 1.25% per month or fraction of a

1 month. The department of treasury may waive interest on any tax set
2 forth in a corrected or supplemental tax bill for the current tax
3 year and the immediately preceding 3 tax years if the assessor of
4 the local tax collecting unit files with the department of treasury
5 a sworn affidavit in a form prescribed by the department of
6 treasury stating that the tax set forth in the corrected or
7 supplemental tax bill is a result of the assessor's classification
8 error or other error or the assessor's failure to rescind the
9 exemption after the owner requested in writing that the exemption
10 be rescinded. Taxes levied in a corrected or supplemental tax bill
11 shall be returned as delinquent on the March 1 in the year
12 immediately succeeding the year in which the corrected or
13 supplemental tax bill is issued. If the department of treasury
14 denies an existing claim for exemption, the interest due shall be
15 distributed as provided in subsection (25). However, if the
16 property has been transferred to a bona fide purchaser before
17 additional taxes were billed to the seller as a result of the
18 denial of a claim for exemption, the taxes, interest, and penalties
19 shall not be a lien on the property and shall not be billed to the
20 bona fide purchaser, and the local tax collecting unit if the local
21 tax collecting unit has possession of the tax roll or the county
22 treasurer if the county has possession of the tax roll shall notify
23 the department of treasury of the amount of tax due and interest
24 through the date of that notification. The department of treasury
25 shall then assess the owner who claimed the exemption under this
26 section for the tax and interest plus penalty accruing as a result
27 of the denial of the claim for exemption, if any, as for unpaid

1 taxes provided under 1941 PA 122, MCL 205.1 to 205.31, and shall
2 deposit any tax or penalty collected into the state school aid fund
3 and shall distribute any interest collected as provided in
4 subsection (25).

5 (9) The department of treasury may enter into an agreement
6 regarding the implementation or administration of subsection (8)
7 with the assessor of any local tax collecting unit in a county that
8 has not elected to audit exemptions claimed under this section as
9 provided in subsection (10). The agreement may specify that for a
10 period of time, not to exceed 120 days, the department of treasury
11 will not deny an exemption identified by the department of treasury
12 in the list provided under subsection (11).

13 (10) A county may elect to audit the exemptions claimed under
14 this section in all local tax collecting units located in that
15 county as provided in this subsection. The election to audit
16 exemptions shall be made by the county treasurer, or by the county
17 equalization director with the concurrence by resolution of the
18 county board of commissioners. The initial election to audit
19 exemptions shall require an audit period of 2 years. Before 2009,
20 subsequent elections to audit exemptions shall be made every 2
21 years and shall require 2 annual audit periods. Beginning in 2009,
22 an election to audit exemptions shall be made every 5 years and
23 shall require 5 annual audit periods. An election to audit
24 exemptions shall be made by submitting an election to audit form to
25 the assessor of each local tax collecting unit in that county and
26 to the department of treasury not later than April 1 preceding the
27 October 1 in the year in which an election to audit is made. The

election to audit form required under this subsection shall be in a form prescribed by the department of treasury. If a county elects to audit the exemptions claimed under this section, the department of treasury may continue to review the validity of exemptions as provided in subsection (8). If a county does not elect to audit the exemptions claimed under this section as provided in this subsection, the department of treasury shall conduct an audit of exemptions claimed under this section in the initial 2-year audit period for each local tax collecting unit in that county unless the department of treasury has entered into an agreement with the assessor for that local tax collecting unit under subsection (9).

(11) If a county elects to audit the exemptions claimed under this section as provided in subsection (10) and the county treasurer or his or her designee or the county equalization director or his or her designee believes that the property for which an exemption is claimed is not the principal residence of the owner claiming the exemption, the county treasurer or his or her designee or the county equalization director or his or her designee may, except as otherwise provided in subsections (5) and (32), deny an existing claim by notifying the owner, the assessor of the local tax collecting unit, and the department of treasury in writing of the reason for the denial and advising the owner that the denial may be appealed to the residential and small claims division of the Michigan tax tribunal within 35 days after the date of the notice.

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county treasurer or his or her designee or the county equalization director or his or her designee may deny a claim for exemption for

1 the current year and for the 3 immediately preceding calendar
2 years. If the county treasurer or his or her designee or the county
3 equalization director or his or her designee denies an existing
4 claim for exemption, the county treasurer or his or her designee or
5 the county equalization director or his or her designee shall
6 direct the assessor of the local tax collecting unit in which the
7 property is located to remove the exemption of the property from
8 the assessment roll and, if the tax roll is in the local tax
9 collecting unit's possession, direct the assessor of the local tax
10 collecting unit to amend the tax roll to reflect the denial and the
11 treasurer of the local tax collecting unit shall within 30 days of
12 the date of the denial issue a corrected tax bill for any
13 additional taxes with interest at the rate of 1.25% per month or
14 fraction of a month and penalties computed from the date the taxes
15 were last payable without interest and penalty. If the tax roll is
16 in the county treasurer's possession, the tax roll shall be amended
17 to reflect the denial and the county treasurer shall within 30 days
18 of the date of the denial prepare and submit a supplemental tax
19 bill for any additional taxes, together with interest at the rate
20 of 1.25% per month or fraction of a month and penalties computed
21 from the date the taxes were last payable without interest or
22 penalty. Interest on any tax set forth in a corrected or
23 supplemental tax bill shall again begin to accrue 60 days after the
24 date the corrected or supplemental tax bill is issued at the rate
25 of 1.25% per month or fraction of a month. Taxes levied in a
26 corrected or supplemental tax bill shall be returned as delinquent
27 on the March 1 in the year immediately succeeding the year in which

1 the corrected or supplemental tax bill is issued. If the county
2 treasurer or his or her designee or the county equalization
3 director or his or her designee denies an existing claim for
4 exemption, the interest due shall be distributed as provided in
5 subsection (25). However, if the property has been transferred to a
6 bona fide purchaser before additional taxes were billed to the
7 seller as a result of the denial of a claim for exemption, the
8 taxes, interest, and penalties shall not be a lien on the property
9 and shall not be billed to the bona fide purchaser, and the local
10 tax collecting unit if the local tax collecting unit has possession
11 of the tax roll or the county treasurer if the county has
12 possession of the tax roll shall notify the department of treasury
13 of the amount of tax due and interest through the date of that
14 notification. The department of treasury shall then assess the
15 owner who claimed the exemption under this section for the tax and
16 interest plus penalty accruing as a result of the denial of the
17 claim for exemption, if any, as for unpaid taxes provided under
18 1941 PA 122, MCL 205.1 to 205.31, and shall deposit any tax or
19 penalty collected into the state school aid fund and shall
20 distribute any interest collected as provided in subsection (25).
21 The department of treasury shall annually provide the county
22 treasurer or his or her designee or the county equalization
23 director or his or her designee a list of parcels of property
24 located in that county for which an exemption may be erroneously
25 claimed. The county treasurer or his or her designee or the county
26 equalization director or his or her designee shall forward copies
27 of the list provided by the department of treasury to each assessor

1 in each local tax collecting unit in that county within 10 days of
2 receiving the list.

3 (12) If a county elects to audit exemptions claimed under this
4 section as provided in subsection (10), the county treasurer or the
5 county equalization director may enter into an agreement with the
6 assessor of a local tax collecting unit in that county regarding
7 the implementation or administration of this section. The agreement
8 may specify that for a period of time, not to exceed 120 days, the
9 county will not deny an exemption identified by the department of
10 treasury in the list provided under subsection (11).

11 (13) An owner may appeal a denial by the assessor of the local
12 tax collecting unit under subsection (6), a final decision of the
13 department of treasury under subsection (8), or a denial by the
14 county treasurer or his or her designee or the county equalization
15 director or his or her designee under subsection (11) to the
16 residential and small claims division of the Michigan tax tribunal
17 within 35 days of that decision. An owner is not required to pay
18 the amount of tax in dispute in order to appeal a denial of a claim
19 of exemption to the department of treasury or to receive a final
20 determination of the residential and small claims division of the
21 Michigan tax tribunal. However, interest at the rate of 1.25% per
22 month or fraction of a month and penalties shall accrue and be
23 computed from the date the taxes were last payable without interest
24 and penalty. If the residential and small claims division of the
25 Michigan tax tribunal grants an owner's appeal of a denial and that
26 owner has paid the interest due as a result of a denial under
27 subsection (6), (8), or (11), the interest received after a

1 distribution was made under subsection (25) shall be refunded.

2 (14) For taxes levied after December 31, 2005, for each county
3 in which the county treasurer or the county equalization director
4 does not elect to audit the exemptions claimed under this section
5 as provided in subsection (10), the department of treasury shall
6 conduct an annual audit of exemptions claimed under this section
7 for the current calendar year.

8 (15) Except as otherwise provided in subsection (5), an
9 affidavit filed by an owner for the exemption under this section
10 rescinds all previous exemptions filed by that owner for any other
11 property. The department of treasury shall notify the assessor of
12 the local tax collecting unit in which the property for which a
13 previous exemption was claimed is located if the previous exemption
14 is rescinded by the subsequent affidavit. When an exemption is
15 rescinded, the assessor of the local tax collecting unit shall
16 remove the exemption effective December 31 of the year in which the
17 affidavit was filed that rescinded the exemption. For any year for
18 which the rescinded exemption has not been removed from the tax
19 roll, the exemption shall be denied as provided in this section.
20 However, interest and penalty shall not be imposed for a year for
21 which a rescission form has been timely filed under subsection (5).

22 (16) Except as otherwise provided in subsection (30), if the
23 principal residence is part of a unit in a multiple-unit dwelling
24 or a dwelling unit in a multiple-purpose structure, an owner shall
25 claim an exemption for only that portion of the total taxable value
26 of the property used as the principal residence of that owner in a
27 manner prescribed by the department of treasury. If a portion of a

1 parcel for which the owner claims an exemption is used for a
2 purpose other than as a principal residence, the owner shall claim
3 an exemption for only that portion of the taxable value of the
4 property used as the principal residence of that owner in a manner
5 prescribed by the department of treasury.

6 (17) When a county register of deeds records a transfer of
7 ownership of a property, he or she shall notify the local tax
8 collecting unit in which the property is located of the transfer.

9 (18) The department of treasury shall make available the
10 affidavit forms and the forms to rescind an exemption, which may be
11 on the same form, to all city and township assessors, county
12 equalization officers, county registers of deeds, and closing
13 agents. A person who prepares a closing statement for the sale of
14 property shall provide affidavit and rescission forms to the buyer
15 and seller at the closing and, if requested by the buyer or seller
16 after execution by the buyer or seller, shall file the forms with
17 the local tax collecting unit in which the property is located. If
18 a closing statement preparer fails to provide exemption affidavit
19 and rescission forms to the buyer and seller, or fails to file the
20 affidavit and rescission forms with the local tax collecting unit
21 if requested by the buyer or seller, the buyer may appeal to the
22 department of treasury within 30 days of notice to the buyer that
23 an exemption was not recorded. If the department of treasury
24 determines that the buyer qualifies for the exemption, the
25 department of treasury shall notify the assessor of the local tax
26 collecting unit that the exemption is granted and the assessor of
27 the local tax collecting unit or, if the tax roll is in the

1 possession of the county treasurer, the county treasurer shall
2 correct the tax roll to reflect the exemption. This subsection does
3 not create a cause of action at law or in equity against a closing
4 statement preparer who fails to provide exemption affidavit and
5 rescission forms to a buyer and seller or who fails to file the
6 affidavit and rescission forms with the local tax collecting unit
7 when requested to do so by the buyer or seller.

8 (19) An owner who owned and occupied a principal residence on
9 May 1 for taxes levied before January 1, 2012 for which the
10 exemption was not on the tax roll may file an appeal with the July
11 board of review or December board of review in the year for which
12 the exemption was claimed or the immediately succeeding 3 years.
13 For taxes levied after December 31, 2011, an owner who owned and
14 occupied a principal residence on June 1 or November 1 for which
15 the exemption was not on the tax roll, or an owner of property who
16 previously occupied that property as his or her principal residence
17 but did not occupy that property on June 1 or November 1 while
18 residing in a nursing home or assisted living facility under the
19 circumstances described in subsection (5) (a) to (d) or while absent
20 on active duty as a member of any branch of the armed forces of the
21 United States, including the Coast Guard, a reserve component of
22 any branch of the armed forces of the United States, or the
23 National Guard, under the circumstances described in subsection
24 (32) (a) to (d), for which the exemption was not on the tax roll,
25 may file an appeal with the July board of review or December board
26 of review in the year for which the exemption was claimed or the
27 immediately succeeding 3 years. If an appeal of a claim for

1 exemption that was not on the tax roll is received not later than 5
2 days before the date of the December board of review, the local tax
3 collecting unit shall convene a December board of review and
4 consider the appeal pursuant to this section and section 53b.

5 (20) An owner who owned and occupied a principal residence
6 within the time period prescribed in subsection (2) in any year
7 before the 3 immediately preceding tax years for which the
8 exemption was not on the tax roll as a result of a qualified error
9 on the part of the local tax collecting unit may file a request for
10 the exemption for those tax years with the department of treasury.
11 The request for the exemption shall be in a form prescribed by the
12 department of treasury and shall include all documentation the
13 department of treasury considers necessary to consider the request
14 and to correct any affected official records if a qualified error
15 on the part of the local tax collecting unit is recognized and an
16 exemption is granted. If the department of treasury denies a
17 request for the exemption under this subsection, the owner is
18 responsible for all costs related to the request as determined by
19 the department of treasury. If the department of treasury grants a
20 request for the exemption under this subsection and the exemption
21 results in an overpayment of the tax in the years under
22 consideration, the department of treasury shall notify the
23 treasurer of the local tax collecting unit, the county treasurer,
24 and other affected officials of the error and the granting of the
25 request for the exemption and all affected official records shall
26 be corrected consistent with guidance provided by the department of
27 treasury. If granting the request for the exemption results in an

1 overpayment, a rebate, including any interest paid by the owner,
2 shall be paid to the owner within 30 days of the receipt of the
3 notice. A rebate shall be without interest. The treasurer in
4 possession of the appropriate tax roll may deduct the rebate from
5 the appropriate tax collecting unit's subsequent distribution of
6 taxes. The treasurer in possession of the appropriate tax roll
7 shall bill to the appropriate tax collecting unit the tax
8 collecting unit's share of taxes rebated. A local tax collecting
9 unit responsible for a qualified error under this subsection shall
10 reimburse each county treasurer and other affected local official
11 required to correct official records under this subsection for the
12 costs incurred in complying with this subsection.

13 (21) If an owner of property received a principal residence
14 exemption to which that owner was not entitled in any year before
15 the 3 immediately preceding tax years, as a result of a qualified
16 error on the part of the local tax collecting unit, the department
17 of treasury may deny the principal residence exemption as provided
18 in subsection (8). If the department of treasury denies an
19 exemption under this subsection, the owner shall be issued a
20 corrected or supplemental tax bill as provided in subsection (8),
21 except interest shall not accrue until 60 days after the date the
22 corrected or supplemental tax bill is issued. A local tax
23 collecting unit responsible for a qualified error under this
24 subsection shall reimburse each county treasurer and other affected
25 local official required to correct official records under this
26 subsection for the costs incurred in complying with this
27 subsection.

1 (22) If the assessor or treasurer of the local tax collecting
2 unit believes that the department of treasury erroneously denied a
3 claim for exemption, the assessor or treasurer may submit written
4 information supporting the owner's claim for exemption to the
5 department of treasury within 35 days of the owner's receipt of the
6 notice denying the claim for exemption. If, after reviewing the
7 information provided, the department of treasury determines that
8 the claim for exemption was erroneously denied, the department of
9 treasury shall grant the exemption and the tax roll shall be
10 amended to reflect the exemption.

11 (23) If granting the exemption under this section results in
12 an overpayment of the tax, a rebate, including any interest paid,
13 shall be made to the taxpayer by the local tax collecting unit if
14 the local tax collecting unit has possession of the tax roll or by
15 the county treasurer if the county has possession of the tax roll
16 within 30 days of the date the exemption is granted. The rebate
17 shall be without interest. If an exemption for property classified
18 as timber-cutover real property is granted under this section for
19 the 2008 or 2009 tax year, the tax roll shall be corrected and any
20 delinquent and unpaid penalty, interest, and tax resulting from
21 that property not having been exempt under this section for the
22 2008 or 2009 tax year shall be waived.

23 (24) If an exemption under this section is erroneously granted
24 for an affidavit filed before October 1, 2003, an owner may request
25 in writing that the department of treasury withdraw the exemption.
26 The request to withdraw the exemption shall be received not later
27 than November 1, 2003. If an owner requests that an exemption be

1 withdrawn, the department of treasury shall issue an order
2 notifying the local assessor that the exemption issued under this
3 section has been denied based on the owner's request. If an
4 exemption is withdrawn, the property that had been subject to that
5 exemption shall be immediately placed on the tax roll by the local
6 tax collecting unit if the local tax collecting unit has possession
7 of the tax roll or by the county treasurer if the county has
8 possession of the tax roll as though the exemption had not been
9 granted. A corrected tax bill shall be issued for the tax year
10 being adjusted by the local tax collecting unit if the local tax
11 collecting unit has possession of the tax roll or by the county
12 treasurer if the county has possession of the tax roll. Unless a
13 denial has been issued before July 1, 2003, if an owner requests
14 that an exemption under this section be withdrawn and that owner
15 pays the corrected tax bill issued under this subsection within 30
16 days after the corrected tax bill is issued, that owner is not
17 liable for any penalty or interest on the additional tax. An owner
18 who pays a corrected tax bill issued under this subsection more
19 than 30 days after the corrected tax bill is issued is liable for
20 the penalties and interest that would have accrued if the exemption
21 had not been granted from the date the taxes were originally
22 levied.

23 (25) Subject to subsection (26), interest at the rate of 1.25%
24 per month or fraction of a month collected under subsection (6),
25 (8), or (11) shall be distributed as follows:

26 (a) If the assessor of the local tax collecting unit denies
27 the exemption under this section, as follows:

1 (i) To the local tax collecting unit, 70%.

2 (ii) To the department of treasury, 10%.

3 (iii) To the county in which the property is located, 20%.

4 (b) If the department of treasury denies the exemption under
5 this section, as follows:

6 (i) To the local tax collecting unit, 20%.

7 (ii) To the department of treasury, 70%.

8 (iii) To the county in which the property is located, 10%.

9 (c) If the county treasurer or his or her designee or the
10 county equalization director or his or her designee denies the
11 exemption under this section, as follows:

12 (i) To the local tax collecting unit, 20%.

13 (ii) To the department of treasury, 10%.

14 (iii) To the county in which the property is located, 70%.

15 (26) Interest distributed under subsection (25) is subject to
16 the following conditions:

17 (a) Interest distributed to a county shall be deposited into a
18 restricted fund to be used solely for the administration of
19 exemptions under this section. Money in that restricted fund shall
20 lapse to the county general fund on the December 31 in the year 3
21 years after the first distribution of interest to the county under
22 subsection (25) and on each succeeding December 31 thereafter.

23 (b) Interest distributed to the department of treasury shall
24 be deposited into the principal residence property tax exemption
25 audit fund, which is created within the state treasury. The state
26 treasurer may receive money or other assets from any source for
27 deposit into the fund. The state treasurer shall direct the

1 investment of the fund. The state treasurer shall credit to the
2 fund interest and earnings from fund investments. Money in the fund
3 shall be considered a work project account and at the close of the
4 fiscal year shall remain in the fund and shall not lapse to the
5 general fund. Money from the fund shall be expended, upon
6 appropriation, only for the purpose of auditing exemption
7 affidavits.

8 (27) Interest distributed under subsection (25) is in addition
9 to and shall not affect the levy or collection of the county
10 property tax administration fee established under this act.

11 (28) A cooperative housing corporation is entitled to a full
12 or partial exemption under this section for the tax year in which
13 the cooperative housing corporation files all of the following with
14 the local tax collecting unit in which the cooperative housing
15 corporation is located if filed within the time period prescribed
16 in subsection (2):

17 (a) An affidavit form.

18 (b) A statement of the total number of units owned by the
19 cooperative housing corporation and occupied as the principal
20 residence of a tenant stockholder as of the date of the filing
21 under this subsection.

22 (c) A list that includes the name, address, and social
23 security number of each tenant stockholder of the cooperative
24 housing corporation occupying a unit in the cooperative housing
25 corporation as his or her principal residence as of the date of the
26 filing under this subsection.

27 (d) A statement of the total number of units of the

1 cooperative housing corporation on which an exemption under this
2 section was claimed and that were transferred in the tax year
3 immediately preceding the tax year in which the filing under this
4 section was made.

5 (29) Before May 1, 2004 and before May 1, 2005, the treasurer
6 of each county shall forward to the department of education a
7 statement of the taxable value of each school district and fraction
8 of a school district within the county for the preceding 4 calendar
9 years. This requirement is in addition to the requirement set forth
10 in section 151 of the state school aid act of 1979, 1979 PA 94, MCL
11 388.1751.

12 (30) For a parcel of property open and available for use as a
13 bed and breakfast, the portion of the taxable value of the property
14 used as a principal residence under subsection (16) shall be
15 calculated in the following manner:

16 (a) Add all of the following:

17 (i) The square footage of the property used exclusively as
18 that owner's principal residence.

19 (ii) 50% of the square footage of the property's common area.

20 (iii) If the property was not open and available for use as a
21 bed and breakfast for 90 or more consecutive days in the
22 immediately preceding 12-month period, the result of the following
23 calculation:

24 (A) Add the square footage of the property that is open and
25 available regularly and exclusively as a bed and breakfast, and 50%
26 of the square footage of the property's common area.

27 (B) Multiply the result of the calculation in sub-subparagraph

1 (A) by a fraction, the numerator of which is the number of
2 consecutive days in the immediately preceding 12-month period that
3 the property was not open and available for use as a bed and
4 breakfast and the denominator of which is 365.

5 (b) Divide the result of the calculation in subdivision (a) by
6 the total square footage of the property.

7 (31) The owner claiming an exemption under this section for
8 property open and available as a bed and breakfast shall file an
9 affidavit claiming the exemption within the time period prescribed
10 in subsection (2) with the local tax collecting unit in which the
11 property is located. The affidavit shall be in a form prescribed by
12 the department of treasury.

13 (32) An owner of property who previously occupied that
14 property as his or her principal residence but now is absent while
15 on active duty as a member of any branch of the armed forces of the
16 United States, including the Coast Guard, a reserve component of
17 any branch of the armed forces of the United States, or the
18 National Guard, may retain an exemption on that property if the
19 owner manifests an intent to return to that property by satisfying
20 all of the following conditions:

21 (a) The owner continues to own that property while absent on
22 active duty as a member of any branch of the armed forces of the
23 United States, including the Coast Guard, a reserve component of
24 any branch of the armed forces of the United States, or the
25 National Guard.

26 (b) The owner has not established a new principal residence.

27 (c) The owner maintains or provides for the maintenance of

1 that property while absent on active duty as a member of any branch
2 of the armed forces of the United States, including the Coast
3 Guard, a reserve component of any branch of the armed forces of the
4 United States, or the National Guard.

5 (d) That property is not used for any business or commercial
6 purpose except as provided in section 7dd(c).

7 (33) As used in this section:

8 (a) "Bed and breakfast" means property classified as
9 residential real property under section 34c that meets all of the
10 following criteria:

11 (i) Has 10 or fewer sleeping rooms, including sleeping rooms
12 occupied by the owner of the property, 1 or more of which are
13 available for rent to transient tenants.

14 (ii) Serves meals at no extra cost to its transient tenants.

15 (iii) Has a smoke detector in proper working order in each
16 sleeping room and a fire extinguisher in proper working order on
17 each floor.

18 (b) "Common area" includes, but is not limited to, a kitchen,
19 dining room, living room, fitness room, porch, hallway, laundry
20 room, or bathroom that is available for use by guests of a bed and
21 breakfast or, unless guests are specifically prohibited from access
22 to the area, an area that is used to provide a service to guests of
23 a bed and breakfast.

24 (c) "Qualified error" means that term as defined in section
25 53b.

26 Enacting section 1. This amendatory act does not take effect
27 unless Senate Bill No. _____ or House Bill No. 4336 (request no.

1 01773'17) of the 99th Legislature is enacted into law.

2 Enacting section 2. This amendatory act is curative and
3 intended to correct any misinterpretation of legislative intent in
4 the final opinion and judgment of the Michigan Tax Tribunal, MTT
5 Docket No. 16-001208, issued January 10, 2017.