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BILL ANALYSIS

Senate Bill 1234 (Substitute S-2 as reported)
Sponsor: Senator Jim Runestad
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to require a person eligible for an exemption from property tax because of poverty to affirm his or her ownership and occupancy status by filing a form with the local assessing unit.

The bill would allow a local assessing unit to permit a principal residence exempt from the collection of tax under a poverty exemption in calendar year 2019 or 2020, or both, to remain exempt through 2023 without subsequent reapplication, and could permit a principal residence exempt for the first time under a poverty exemption in 2021, 2022, or 2023 to remain exempt for up to three additional years after its initial year of exempt status without subsequent reapplication, if the person who established initial eligibility received fixed income solely from public assistance that was not subject to significant annual increases beyond the rate of inflation. The person would have to file with the local assessing unit an affidavit rescinding the extended exemption within 45 days after the person ceased to own or occupy the principal residence or the person experienced a change in household assets or income that defeated eligibility for the exemption.

The bill specifies that if the person failed to file a rescission and the property later was determined to be ineligible for the exemption, he or she would be subject to repayment of any additional taxes with interest as prescribed in the bill.

The bill also specifies that if an assessor determined that a principal residence that was exempt from property taxes because of a poverty exemption was still eligible for the exemption and the property was exempt in 2019 or 2020, or both, the property would remain so through calendar year 2021 if, on or before February 15, 2021, the governing body of the local tax collecting unit in which the residence was located adopted a resolution that continued the exemption through calendar year 2021 for those properties. The local assessing unit could require the owner of the exempt property to affirm ownership, poverty, and occupancy status by filing with the local assessing unit the form described above.

MCL 211.7u

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill likely would have no fiscal impact on the State and a minimal negative fiscal impact on local governments. The bill would allow a local government to adopt a resolution to make all principal residences that were exempt from tax collection under a poverty exemption for 2019 and 2020 to be exempt for 2021. The local tax collecting unit still would be able to require the individual who was eligible for the exemption to affirm ownership and occupancy of the property in question. If a local unit adopted a resolution and a property were exempt from tax collection in 2021 that otherwise would not have qualified, there would be a negative fiscal impact on the local government. If the property were no longer a primary residence in 2021, but continued to receive the exemption because of a resolution, the State would lose revenue it otherwise would have received from the State Education Tax and could have increased costs to the School Aid Fund because of reduced school operating mills at the local level. It is unlikely that either of these scenarios would be widespread.

The other provisions of the bill would not create a new exemption, but simply would reduce the frequency of reporting to maintain an exemption. If the reduced reporting requirements resulted in a property receiving an exemption to which it would not otherwise be entitled, the bill would allow for the local tax collecting unit to collect the taxes owed with interest. As such, those provisions would have no fiscal impact on the State or local governments.

Date Completed: 12-3-20 Fiscal Analyst: Ryan Bergan