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BILL ANALYSIS

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Senate Bill 1234 (as introduced 11-18-20)
Sponsor: Senator Jim Runestad
Committee: Finance

Date Completed: 12-2-20

CONTENT

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

- **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 tax collecting unit.**
- **Allow a local tax collecting unit to permit a principal residence exempt from the collection of property taxes under a poverty exemption to remain exempt for up to three years without subsequent reapplication if the person who established initial eligibility met certain conditions.**
- **Specify 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.**
- **Specify that a principal residence that was exempt from property taxes because of a poverty exemption in calendar year 2019 or 2020, or both, would remain so through calendar year 2021 if 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.**

Under the Act, the principal residence of a person who, in the judgment of the supervisor and board of review, by reason of poverty, is unable to contribute toward the public charge is eligible for an exemption from taxes under the Act.

To be eligible for this exemption, a person must meet certain conditions on an annual basis, which include owning and occupying as a principal residence the property for which an exemption is requested. The bill would require the person to affirm this ownership and occupancy status in writing by filing a form prescribed by the State Tax Commission with the local tax collecting unit.

The bill would allow a local tax collecting unit to permit a principal residence exempt from the collection of property taxes under a poverty exemption to remain exempt for up to three years without subsequent reapplication for the exemption, if the person who established initial eligibility met either of the following:

- Received a fixed income solely from public assistance that was not subject to significant annual increases beyond the rate of inflation, such as Federal Supplemental Security Income of Social Security disability or retirement benefits.

-- Had one of the following: a) a permanent physical or mental disability, as determined under Federal or State guidelines, that substantially impeded his or her activities of daily living; b) a disability that substantially impeded his or her activities of daily living.

The person would have to file with the local tax collecting unit, in a form and manner prescribed by the State Tax Commission, an affidavit rescinding the extended exemption within 30 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.

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. After discovering the property was no longer eligible for the exemption, the assessor would have to remove the exemption and, if the tax roll were in the local tax collecting unit's possession, amend the tax roll to reflect that fact. Within 30 days after the discovery, the local treasurer would have to issue a corrected tax bill for any additional taxes with interest at the rate of 1.0% per month or fraction of a month computed from the date the taxes were last payable with interest. If the tax roll were in the county treasurer's possession, the tax roll would have to be amended and the county treasurer, within 30 days of the date of removal would have to prepare and submit a supplementary tax bill for any additional taxes, together with interest computed as described above. Interest on any tax set forth in a corrected or supplemental bill again would begin to accrue 60 days after the date the corrected or supplemental bill was issued. Taxes levied in a corrected or supplemental bill would have to be returned as delinquent on the March 1 in the year immediately succeeding the year in which the bill was issued.

The bill specifies that a principal residence that was exempt from the collection of taxes because of poverty in calendar year 2019 or 2020, or both, would remain so through calendar year 2021 if, on or before March 1, 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 that were exempt in 2019 or 2020, or both. The local tax collecting unit could require the owner of a principal residence exempt from the collection of taxes to affirm ownership and occupancy status as 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.

Fiscal Analyst: Ryan Bergan

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