

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 129 (Substitute S-2 as reported by the Committee of the Whole)
Senate Bills 130, 131, and 132 (Substitutes S-1 as reported)
Senate Bill 133 (Substitute S-2 as reported)
Senate Bills 134, 135, and 136 (Substitutes S-1 as reported)
Sponsor: Senator Nancy Cassis (S.B. 129)
Senator Jason E. Allen (S.B. 130)
Senator Patricia L. Birkholz (S.B. 131)
Senator Valde Garcia (S.B. 132)
Senator Michelle A. McManus (S.B. 133)
Senator Laura M. Toy (S.B. 134)
Senator Bill Hardiman (S.B. 135)
Senator Bev Hammerstrom (S.B. 136)

Committee: Finance

CONTENT

Senate Bills 129 (S-1) and 133 (S-2) would amend the Revised School Code and the General Property Tax Act, respectively, to replace the term "homestead" with the term "principal residence" in provisions that exempt homestead property from school operating property taxes levied by school districts. The remaining bills would amend various other statutes to delete references to "homestead" and, in some cases, replace them with references to "principal residence". The bills would take effect January 1, 2004.

Senate Bill 133 is tie-barred to all of the other bills, which are tie-barred to Senate Bill 133.

Senate Bill 129 (S-1). Under the Revised School Code, a school district may levy up to 18 mills for school operating purposes on nonhomestead property, while homestead property (including qualified agricultural property) is exempt from these taxes. The Code states that "homestead" and "qualified agricultural property" mean those terms as defined in the Code or in Section 7dd of the General Property Tax Act (a section that Senate Bill 133 (S-2) would amend). Senate Bill 129 (S-1) would refer to "principal residence" instead of "homestead"; delete the Code's definitions of "homestead" and "qualified agricultural property"; and specify that "principal residence" and "qualified agricultural property" would mean those terms as defined in Section 7dd.

Senate Bill 133 (S-2). The General Property Tax Act states that a homestead is exempt from the tax levied by a school district for school operating purposes to the extent provided under the Revised School Code. The Act defines "homestead" for this purpose as homestead or qualified agricultural property as those terms are defined in Section 7dd. Senate Bill 133 (S-2) would replace the term "homestead" with "principal residence" in these provisions and in provisions that prescribe the process for an owner to claim an exemption.

The bill would amend Section 7dd to delete the definition of "homestead". The bill would include in the Act's definition of "principal residence" provisions that are contained in the current definitions of "homestead" in the Act and the Revised School Code. The bill would retain the Act's present definition of "qualified agricultural property".

Senate Bill 130 (S-1). The bill would amend the Neighborhood Enterprise Zone Act to replace references to "homestead" with references to "principal residence" in provisions that prescribe a specific tax on facilities in a neighborhood enterprise zone.

Senate Bill 131 (S-1). The bill would amend the State Real Estate Transfer Tax Act to eliminate references to "homestead" in provisions that refer to homestead property for which a homestead exemption is claimed under the General Property Tax Act.

Senate Bill 132 (S-1). The bill would amend Public Act 27 of 2002, which provides for the development of blighted property, to remove a reference to "homestead" in a provision that refers to a homestead exemption under the General Property Tax Act.

Senate Bill 134 (S-1). The bill would amend the State School Aid Act to replace "homestead" with "principal residence"; specify that "principal residence" and "qualified agricultural property" would mean those terms as defined in Section 7dd of the General Property Tax Act; and remove the definitions of "homestead" and "qualified agricultural property".

Senate Bill 135 (S-1). The bill would amend the Seller Disclosure Act to replace "homestead" with "principal residence" on the seller's disclosure statement.

Senate Bill 136 (S-1). The bill would amend the Tax Tribunal Act to replace "homestead" with "principal residence" in provisions pertaining to claims for exemption.

MCL 380.1211 et al. (S.B. 129)
207.779 (S.B. 130)
207.526 (S.B. 131)
125.2802 (S.B. 132)
211.7u (S.B. 133)
388.1620 (S.B. 134)
565.957 (S.B. 135)
205.735 (S.B. 136)

Legislative Analyst: George Towne

FISCAL IMPACT

The bills would have little to no impact on State revenues and no impact on local revenues or expenditures. The magnitude and direction of the impact depends how taxpayers would react to the changed wording. If taxpayers are familiar with the exemption as a homestead exemption and, on net, do not fill out the appropriate affidavits when purchasing homes because they are expecting different forms, homestead property tax credits could increase and School Aid Fund expenditures decrease. Conversely, if the net change increased use of the exemption, homestead property tax credits could decrease and School Aid Fund expenditures increase. The two impacts are not completely offsetting: Generally the homestead property tax credit provides for less than 100% of the property taxes paid, while the School Aid Fund expenditures will offset 100% of the changes in property taxes.

The bills would not affect State education tax revenues because all property, whether it receives the exemption or not, is taxed at 6 mills under the State education tax. Similarly, the bills would not affect local unit revenues because, while the exemption eliminates the 18-mill levy for school operating purposes from the property's tax base, School Aid Fund expenditures to the local unit offset any revenue reduction.

The Department of Treasury reports that the bills would result in additional costs to the Department regarding production and distribution of forms and computer programming. No estimate on the amount of the costs to the Department is available.

Fiscal Analyst: David Zin
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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.