

Legislative Analysis



ADDITIONAL PRINCIPAL RESIDENCE EXEMPTION

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4215 (Substitute H-2)
Sponsor: Rep. Edward Gaffney, Jr.
Committee: Commerce

Complete to 6-7-07

A SUMMARY OF HOUSE BILL 4215 AS REPORTED FROM COMMITTEE

Under Michigan's school financing system, owner-occupied homes (known as principal residences) are exempt from local school operating taxes and pay only the six-mill state education tax. A person can only claim one principal residence for this exemption. House Bill 4215 would amend the General Property Tax Act to allow a homeowner to claim an additional principal residence exemption in specified circumstances.

Under the bill, in addition to an owner's current principal residence, that owner could retain an exemption for up to three years on property previously exempt as the owner's principal residence if that property is not occupied, is for sale, is not leased or available for lease, and is not used for any business or commercial purpose.

The homeowner would have to file a conditional rescission form on or before May 1 with the local tax collecting unit. A copy would have to be forwarded to the Department of Treasury. The owner would have to verify annually to the local assessor on or before December 31 that the property is eligible for the special exemption. If an owner does not carry out an annual verification, the local assessor would deny the principal residence exemption on the property.

Currently, a homeowner is required to rescind a claim of exemption within 90 days after exempted property is no longer used as a principal residence by filing a rescission form with the local tax collecting unit. The bill would amend the section of the act that requires the rescission to allow the filing of a conditional rescission form that continues the principal residence exemption for up to three years for property that meets the bill's eligibility criteria.

MCL 211.7cc

FISCAL IMPACT:

Given that the amount of property that would qualify for the 18-mill exemption is not known, the fiscal impact of these bills cannot accurately be determined. To the extent that additional property becomes eligible for the 18-mill exemption, local property tax revenue that would be earmarked for local education would decline. Although there is no direct impact on state revenue, there is an indirect burden on the School Aid Fund in that it must compensate for reduced educational funding at the local level.

BACKGROUND INFORMATION:

According to committee testimony, the bill aims at addressing the impact on homeowners of the slow real estate market in various areas of the state, including populous southeastern Michigan. In some cases, for example, the job market is forcing people to move and find housing elsewhere but the old home is not selling. Under Michigan's property tax system (as put in place in 1993 by Proposal A, the school financing plan), owner-occupied residences, known as principal residences, are exempt from the local 18-mill school operating property taxes and instead pay only the 6-mill state education property tax. An individual can only have one principal residence. If a residence no longer qualifies for the exemption, then the owner is responsible also for the 18-mills. House Bill 4215 would allow for the exemption to continue on a home for up to three years (in addition to another principal residence) if it is not occupied, is for sale, is not leased or available for lease, and is not used for any business or commercial purpose.

POSITIONS:

The Department of Treasury indicated support for the bill. (5-22-07)

The Michigan Realtors Association indicated support for the bill. (5-22-07)

The Michigan Association of Home Builders indicated support for the bill. (5-15-07)

The Michigan Townships Association indicated support for the bill. (5-15-07)

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.