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BILL ANALYSIS

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House Bill 5437 (Substitute H-3 as reported without amendment)

House Bill 6492 (Substitute H-1 as reported without amendment)

House Bill 6493 (Substitute S-1 as reported)

Sponsor: Representative Steve Tobocman (H.B. 5437)

Representative Joe Hune (H.B. 6492)

Representative John Stakoe (H.B. 6493)

House Committee: Intergovernmental, Urban and Regional Affairs

Senate Committee: Finance

CONTENT

The bills would amend various statutes to exempt "supportive housing property" from the tax levied by a local school district for school operating purposes and from the mills levied for school operating purposes. Under House Bill 6493 (S-1), "supportive housing property" would mean property that meets all of the following requirements:

- Is developed or owned by an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (IRC).
- Is occupied by one or more people each having incomes at or below 30% of the area median income who receive services either directly from or contracted for by an organization identified under Section 501(c)(3) of the IRC, which services include mental health, substance abuse, counseling, and assistance with daily living.
- Consists of not more than six individual living units.

All of the bills are tie-barred to each other. House Bill 6493 (S-1) also is tie-barred to House Bill 5438, which would exempt supportive housing property from the General Property Tax Act and subject the property to a specific tax proposed by the bill.

House Bill 5437 (H-3) would amend the General Property Tax Act to exempt supportive housing property from the tax levied by a local school district for school operating purposes to the extent provided under the Revised School Code, beginning December 31, 2008, if an owner of the property claimed an exemption. An owner could claim an exemption by filing an affidavit with the local tax collecting unit.

An owner would have to rescind the claim of an exemption within 90 days after exempted property was no longer supportive housing property. An owner who failed to do so would be subject to a penalty of \$5 per day for each separate failure beginning after the 90 days had elapsed, to a maximum of \$200.

House Bill 6492 (H-1) would amend the Revised School Code to exempt supportive housing property from the mills levied for school operating purposes, and allow the board of a school district to exempt supportive housing property from some or all of the additional mills that the board is authorized to levy.

Under the Code, except as otherwise provided, the board of a school district may not levy more than 18 mills for school operating purposes or the number of mills levied in 1993 for school operating purposes, whichever is less. It may levy additional mills uniformly on all

property up to the number of mills required for the school district's combined State and local revenue per membership pupil for the school fiscal year ending in 1995 to be equal to the school district's foundation allowance for the State fiscal year 1994-95. However, the board may elect to exempt each principal residence and all qualified agricultural property, qualified forest property, and industrial personal property located in the school district from some or all of the mills that the board is authorized to levy.

Under the bill, the board could exempt supportive housing property from some or all of the additional mills that it is authorized to levy.

House Bill 6493 (S-1) would amend the State Housing Development Authority Act to require the owner of supportive housing property to file with the local assessing officer a notification of that status, which would have to be in an affidavit form as provided by the Michigan State Housing Development Authority (MSHDA). The completed form first would have to be submitted to MSHDA for certification. The owner then would have to file the certified notification of the exemption with the local assessing officer. Each year, MSHDA would have to certify as supportive housing property 250 or fewer individual living units, 50% of which would have to be existing, already operating supportive housing property and 50% of which would have to be new projects that had never been supportive housing property.

If, by October 1 of a year, the number of applications for certification for either existing projects or new projects accounted for less than 50% of the number of living units that could be certified as supportive housing property for that year, MSHDA could certify new projects or existing projects for the remaining number of living units for that year.

The Authority would have to certify living units on a first-come, first-served basis, but not more than 25% of the number of living units that could be certified for a year could be in a single county. If, by October 1 of that year, the total number of living units for that year were less than the 250 authorized, MSHDA could certify living units on a first-come, first-served basis in counties that received 25% of the living units for that year.

Proposed MCL 211.7nn (H.B. 5437)
MCL 380.1211 (H.B. 6492)

Legislative Analyst: Craig Laurie

Proposed MCL 125.1459-125.1459b (H.B. 6493)

FISCAL IMPACT

House Bill 5437 (H-3) would reduce local unit revenue and increase School Aid Fund expenditures by a minimal amount (although the impact could be meaningfully greater due to the definition of "supportive housing property", as discussed below). The magnitude of the change would depend upon the specific characteristics of property designated as supportive housing property. Because House Bill 6493 (H-2), which is tie-barred to both House Bill 5437 (H-3) and House Bill 6492 (S-1), would limit the number of properties statewide that could be designated as supportive housing each year, the impact on any local unit would likely be minimal. For example, assuming an average taxable value for the property of approximately \$35,000 (roughly 60% of the statewide average), the bill would lower local unit revenue by approximately \$150,000 per year. School Aid Fund expenditures would increase by the same amount in order to maintain per-pupil funding guarantees. Because of the potential for House Bill 5437 (H-3) to have a cumulative impact (pursuant to House Bill 6493 (H-2)), under these assumptions the impact of the bill could rise to \$300,000 in the second year, \$450,000 in the third year, and so on.

House Bill 6492 (H-1) is essentially the same as House Bill 5437 (H-3). It would reduce local revenue by a minimal amount and increase School Aid Fund expenditures by the same amount, by effectively providing the same exemption contained in House Bill 5437 (H-3).

The impact of the bill would not be in addition to the impact of House Bill 5437 (H-3), but would be duplicative of that bill's impact.

Property affected by either bill would remain subject to local mills other than the school operating levy, as well as the State education tax.

The impact of House Bill 5437 (H-3) and/or House Bill 6492 (H-1) could be meaningfully larger due to two aspects of the definition of "supportive housing property". Under the definition in House Bill 6493 (H-2), supportive housing property would have to be "developed" or owned by a specific organization, among the other requirements. Because the property would not have to be owned, but could have been only "developed" (not defined in the bill) by the specific organization, it is possible that the housing could be sold and, as long as at least one occupant in one unit met the income and assistance requirements, the property would remain eligible for the certification. Depending on how the bill's limits on the number of certifications were interpreted, this could result, over time, in a significant number of properties' being designated as supportive housing or could reduce the number of certifications that a specified organization could possess.

Furthermore, the exemption would be for the property rather than a specific unit. While the property would have to contain six or fewer individual living units, the entire property would be exempt from taxation if only one unit were occupied by a qualified person. In the case of something such as a single-family dwelling, there are no external implications. However, if a six-unit dwelling had one unit occupied by a qualified individual, the entire dwelling could be exempt from the school operating levy—including the taxes on units not occupied by a qualified individual. Because the certifications would apply only to the specific unit but the exemption would be for the entire property, the bill would potentially allow 250 properties, but as many as 1,500 units, to be exempted. As a result, the impact of the exemption could be much larger than suggested by the first example, even without any yearly cumulating in the number of certified units.

House Bill 6493 (S-1) by itself would have no effect on State or local revenue. Local unit expenditures would be affected negligibly and only to the extent that the certified notifications would be filed with the local assessing officer. The bill would limit the number of certified notifications to approvals for 250 individual living units "for that" year. It is unclear whether this limit would apply to the number of approvals issued in a year or in effect for a year. Because the bill apparently would allow an approval to last until the property was no longer used as supportive housing property, if the limit applied to the number of approvals issued in a year, then the total number of properties affected would cumulate. After the first year there could be a maximum of 250 properties certified as supportive housing, while after two years there could be a maximum of 500 units, after three years 750 units, and so on.

It is expected that the existing staff and resources of the Michigan State Housing Development Authority within the Department of Labor and Economic Growth would be sufficient to complete the certifications that would be required by the bill.

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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.