

Legislative Analysis



PRINCIPAL RESIDENCE EXEMPTION: RETAIN FOR PERSON IN ASSISTED LIVING

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House Bill 4981

Sponsor: Rep. Bob Genetski

Committee: Tax Policy

Complete to 9-10-12

A SUMMARY OF HOUSE BILL 4981 AS INTRODUCED 9-15-11

The bill would amend the General Property Tax Act to allow a homeowner to retain the principal residence exemption after moving into a nursing home or assisted living facility, provided certain conditions are met.

Generally speaking, owner-occupied residential property is exempt from local school operating taxes. This is known as the principal residence exemption, and typically a homeowner is only entitled to one such exemption. When the property is no longer used as a principal residence, the owner is required to rescind the claim of exemption. Principal residences pay the 6-mill State Education Tax but are exempt from the 18-mill local school operating levy. Non-exempt property (business property and second homes, for example) pay the full 24-mills.

House Bill 4981 would allow a person who is residing in an assisted living facility or nursing home to retain the exemption on property previously exempt as his or her principal residence if the property is not occupied, is not leased, and is not used for any business or commercial purpose. The taxpayer would have to fill out a conditional rescission form before May 1 with the local tax collecting unit; the form would be prescribed by the Department of Treasury.

MCL 211.7cc

FISCAL IMPACT:

As written, the bill is expected to have a minor impact on state and local revenues. To the extent that continuing the 18-mill principal residence exemption would result in a decline in funding to local schools, School Aid Fund expenditures would need to increase to compensate for the decrease.

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