

Legislative Analysis



AMEND PRINCIPAL RESIDENCE EXEMPTION FOR HOMEOWNERS IN NURSING HOMES & ASSISTED LIVING

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House Bill 4810 (Substitute H-1)

Sponsor: Rep. Dave Pagel

Committee: Tax Policy

(Enacted as Public Act 40 of 2014)

Complete to 12-16-13

A SUMMARY OF HOUSE BILL 4810 AS PASSED BY THE HOUSE

Public Act 324 of 2012 amended the General Property Tax Act to allow a person who previously occupied a property as a principal residence but now resides in a nursing home or an assisted living facility to retain the exemption on property previously exempt as the principal residence if the owner "manifests an intent to return to that property" by satisfying all of the following conditions: (1) the owner continues to own the property while residing in the nursing home or assisted living facility; (2) the owner has not established a new principal residence; (3) the owner maintains or provides for the maintenance of the property; and (4) the property is not occupied, is not for sale, is not leased, and is not used for any business or commercial purpose.

House Bill 4810 would amend this provision to delete the requirement that the property not be for sale. The amendment would be retroactive and effective for taxes levied after December 31, 2012.

[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.]

FISCAL IMPACT:

As written, the bill would reduce collections from the 18-mill non-homestead levy earmarked to local schools by an unknown, but likely small, amount. Although the bill would have no direct impact on state revenue, increased expenditures from the School Aid Fund would be necessary to maintain the foundation allowance in school districts affected by the lost revenue.

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