



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 4810 (Substitute H-1 as passed by the House)
Sponsor: Representative Dave Pagel
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 1-28-14

CONTENT

The bill would amend the General Property Tax Act to eliminate a requirement that a home not be for sale, in order for the owner to continue to claim the principal residence exemption (PRE) while living in a nursing home or assisted living facility.

The bill would be retroactive and effective for taxes after December 31, 2012.

The Act exempts an individual's principal residence from the tax levied by a school district for school operating purposes (typically 18 mills), to the extent provided in the Revised School Code. To claim the PRE, the homeowner must file with the local tax collecting unit an affidavit stating that he or she owns and occupies the property as a principal residence. When the property is no longer used as a principal residence, the owner is required to rescind the claim of exemption, although an owner may retain the exemption under certain circumstances.

In particular, if a person previously occupied property as his or her principal residence but currently lives in a nursing home or assisted living facility, the person may retain the PRE if he or she demonstrates an intent to return to the property by satisfying all of the following conditions:

- The person continues to own the property while living in the nursing home or assisted living facility.
- The person has not established a new principal residence.
- The person maintains or provides for the maintenance of the property.
- The property is not occupied, is not for sale, is not leased, and is not used for any business or commercial purpose.

The bill would delete the requirement that the property not be for sale.

MCL 211.7cc

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase School Aid Fund expenditures by an unknown and likely minimal amount. By reducing the requirements for homeowners to retain an exemption from the 18-mill school operating levy, the bill would likely increase the number of the exempt properties (or decrease the number that otherwise would become ineligible for the exemption). While the exemption would reduce local school operating revenue, the School

Aid Fund would need to be increased in order to maintain per-pupil funding guarantees. The magnitude of any changes would depend on the specific characteristics of any affected property.

Because it would be retroactive, the bill would likely result in refunds during the first year it was effective. As a result, the revenue reduction would be greater, and the increase in School Aid Fund expenditures also would be higher, during the first year the bill was effective.

Fiscal Analyst: David Zin

S1314\4810sa

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.