



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



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

House Bill 4534 (as passed by the House)
Sponsor: Representative Bradley Slagh
House Committee: Local Government and Municipal Finance
Senate Committee: Finance

Date Completed: 5-25-22

CONTENT

The bill would amend the General Property Tax Act to do the following:

- **Eliminate a requirement that a copy of a conditional rescission form for a principal residence exemption (PRE) be forwarded to the Department of Treasury and, instead, require the owner of the property to retain one copy of the form and one copy to be retained by the local tax collecting unit.**
- **Require an assessor would have to notify the owner and the county treasurer, instead of the Department, of a denial of a PRE.**
- **Eliminate a provision stating that an affidavit filed by an owner for a PRE rescinds all previous exemptions filed by that owner for any other property.**
- **Allow an owner who met certain condition to file an affidavit with the local tax collecting unit claiming an exemption for the current calendar year or the immediately preceding three calendar years, instead of an appeal.**
- **Modify provisions pertaining to a board of review to conform to the bill's proposed changes**

Copies of Conditional Rescission Form

Generally, a principal residence is exempt from the tax levied by a local school district for school operating purposes if the residence owner claims an exemption by filing an affidavit with the local tax collecting unit as provided in the Act. This is known as the PRE. Within 90 days after exempted property no longer is used as a principal residence by the owner claiming an exemption, he or she must rescind the claim of exemption by filing with the local tax collecting unit a rescission form prescribed by the Department of Treasury.

If an owner is eligible for and claims an exemption for that owner's current principal residence, that owner may retain an exemption for not more than three tax years on property previously exempt as his or her principal residence if that property is not occupied, is for sale, is not leased, and is not used for any business or commercial purpose by filing a conditional rescission form prescribed by the Department with the local tax collecting unit within the time period prescribed for claiming the PRE. A land contract vendor, bank, credit union, or other lending institution also may claim the exemption by filing a conditional rescission form with the local tax collecting unit within the prescribed time period. Property is eligible for a conditional rescission if that property is available for lease and all other conditions under the Act are met.

Currently, in either case, a copy of a conditional rescission form must be forwarded to the Department according to a schedule it prescribes. Under the bill, instead, the owner would have to retain one copy of the conditional rescission, and one copy would have to be retained by the local tax collecting unit. The local tax collecting unit would have to forward to the Department of Treasury a copy of an affidavit upon the Department's request.

Copies of Denials

Generally, if an assessor believes that the property for which an exemption is claimed is not the owner's principal residence, he or she may deny a new or existing claim by notifying the owner and the Department of the reason for the denial and advising the owner that the denial may be appealed to the Residential and Small Claims Division of the Michigan Tax Tribunal within 35 days after the notice date. Under the bill, the assessor, instead, would have to notify the owner and the county treasurer.

If the property for which the assessor has denied a claim for exemption is located in a county in which the county treasurer or the county equalization director have elected to audit exemptions, the assessor must notify the county treasurer or the county equalization director of the denial. The bill would eliminate this requirement. Instead, the assessor would have to forward to the Department a copy of the denial upon its request.

If a county elects to audit PREs and the county treasurer or the county equalization director, or their respective designees, believe that the property for which an exemption is claimed is not the owner's principal residence, the county treasurer or the county equalization director, or their respective designees, generally may deny an existing claim by notifying the owner, the assessor of the local tax collecting unit, and the Department of Treasury in writing of the reason for the denial and advising the owner that the denial may be appealed to the Residential and Small Claims Division of the Michigan Tax Tribunal within 35 days after the notice date. Under the bill, the notification would have to be sent to the owner and the assessor. The denial would have to be made on a form prescribed by the Department. The county treasurer or the county equalization director, or their respective designees, would have to forward to the Department a copy of a denial upon its request.

Rescission, Generally

Except as otherwise provided, an affidavit filed by an owner for a PRE rescinds all previous exemptions filed by that owner for any other property. The Department must notify the assessor of the local tax collecting unit in which the property for which a previous exemption was claimed is located if the previous exemption is rescinded by the subsequent affidavit. The bill would eliminate this provision.

Retroactive Exemption

An owner who owned and occupied a principal residence within the time period prescribed in the Act for which the exemption was not on the tax roll, or an owner of property who previously occupied that property as his or her principal residence but did not fit within the prescribed time period while residing in a nursing home, assisted living facility, or other location, while absent on active duty as a member of any branch of the United States Armed Forces under the circumstances prescribed in the Act, or while absent due to the damage or destruction of the principal residence under the circumstances described in the Act, for which the exemption was not on the tax roll, may file an appeal with the July board of review or December board of review in the year for which the exemption was claimed or the immediately succeeding three years.

Under the bill, instead of an appeal, an owner who met the above requirements could file an affidavit with the local tax collecting unit claiming an exemption for the current calendar year or the immediately preceding three calendar years. The affidavit would have to be on the form prescribed by the Department for an exemption. The affidavit would have to be processed by the assessor as specified in the Act. Upon request by the local tax collecting unit, the owner would have to furnish proof within 30 days that the owner met the exemption requirements for the claimed years.

If an appeal of a claim for exemption that was not on the tax roll is received not later than 5 days before the date of the December board of review, the local tax collecting unit shall convene a December board of review and consider the appeal. The bill would eliminate this provision.

Boards of Review & Approval of PRE

The July and December boards of review must meet only to approve qualified errors and to hear appeals of property tax exemption denials, including those under Section 7cc of the Act (PREs). If an appeal of a PRE denial results in a determination that an overpayment has been made, the board of review must file an affidavit and a rebate must be made at the times and in the manner provided in the Act. Generally, a correction must be made for the year in which the appeal is made only. If the board of review approves a PRE, the board of review must require the owner to execute the required affidavit. The bill would eliminate the references to Section 7cc (i.e., PREs) in these provisions.

The board of review must forward a copy of a principal residence affidavit to the Department. The bill would eliminate this requirement.

If a PRE is approved by the board of review, the Act's provisions pertaining to that exemption apply. If an exemption is not approved by the board of review, the owner may appeal that decision in writing to the Department of treasury within 35 days of the board of review's denial and the appeal must be conducted as provided in the Act. The bill would eliminate these provisions.

A correction that approves a PRE may be made for the year in which the appeal was filed and the three immediately preceding tax years. The bill would eliminate this provision.

MCL 211.7cc & 211.53b

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have a minimal negative fiscal impact on the State and could have a positive fiscal impact on local governments. The bill's changes could result in some administrative savings for local governments. The property taxes that are exempt under the PRE are used exclusively to support the foundation allowance for the local K-12 school district. The School Aid Fund pays the difference in the foundation allowance that is not covered by local revenue. Any increase in PREs because of the bill would increase costs to the School Aid Fund, but any increase likely would be very small.

Fiscal Analyst: Ryan Bergan

SAS\S2122\s4534sa

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.