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Senate Bill 55 (as introduced 2-7-23)
Sponsor: Senator Stephanie Chang
Committee: Housing and Human Services

Date Completed: 2-28-23

INTRODUCTION

The bill would amend the General Property Tax Act to extend a provision allowing an automatic poverty exemption under certain conditions for the 2022 tax year through the 2025 tax year for properties that were exempt in the 2019, 2020, or 2021 tax year. The governing body of a local assessing unit would have until December 1, 2023, to adopt a resolution to continue the exemption for those properties. Additionally, the bill would allow a board of review to grant a partial poverty exemption equal to a 75% reduction in taxable value for the tax year in which the exemption was granted.

FISCAL IMPACT

This bill would have a small negative fiscal impact on State revenue and local revenue. The bill would increase the potential partial tax liability reduction for poverty exemptions from 25% or 50%, to 25%, 50%, or 75%, which could reduce property tax revenue to the local government and the State. The bill also would allow for the exemption to be applied retroactively. Additional exemptions could reduce funding to the School Aid Fund. The Department of Treasury estimates the total exemption is approximately \$6.3 million; the bill could increase that cost slightly.

PREVIOUS LEGISLATION

(Please note: The information in this summary provides a cursory overview of previous legislation and its progress. It does not provide a comprehensive account of all previous legislative efforts on the relevant subject matter.)

The bill is a reintroduction of Senate Bill 881 of the 2021-2022 Legislative Session. A substitute version of the bill was reported out of the Senate Committee on Finance and was passed by the Senate but received no further action.

MCL 2.11.7u & 211.53b

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CONTENT

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

- Eliminate references to "supervisor" in provisions pertaining to a poverty exemption for property tax on a principal residence.**
- Allow a board of review to grant a partial poverty exemption equal to a 75% reduction in taxable value for the tax year in which the exemption was granted.**

- **Extend a provision allowing an automatic poverty exemption under certain conditions for the 2022 tax year through the 2025 tax year for properties that were exempt in the 2019, 2020, or 2021 tax year.**
- **Specify, that, if an exemption were not on the assessment roll and was not denied, the July or December board of review would have to grant a poverty exemption for the immediately preceding year on an eligible individual's principal residence.**
- **Include in the definition of "qualified error" an exemption as specified above.**

Poverty Exemption. General Modification

Section 7u of the Act specifies that the principal residence of an individual who, in the judgment of the supervisor and board of review, by reason of poverty, is unable to contribute to the public charges is eligible for a partial or total exemption from property tax. To be eligible for a poverty exemption, an individual, on an annual basis, must satisfy the requirements specified in the Act. Among other things, the individual must produce a valid driver license or other form of identification, and a deed, land contract, or other evidence of ownership of the property for which an exemption is requested, if required to do so by the supervisor or board of review. The bill would eliminate the references to supervisor in Section 7u.

If a person claiming an exemption is qualified, the board of review must grant the exemption, in whole or in part, as follows:

- A full exemption equal to a 100% reduction in taxable value for the tax year in which the exemption is granted.
- A partial exemption equal to one of the following: a) a 50% or 25% reduction in taxable value for the tax year in which the exemption is granted, or b) as approved by the State Tax Commission, any other percentage reduction in taxable value for the tax year in which the exemption is granted.

Under the bill, the board of review also could grant a partial reduction equal to a 75% reduction in taxable value for the tax year in which the exemption was granted.

Under the bill, notwithstanding any provision to the contrary, if an exemption were not on the assessment roll and was not denied, the July or December board of review would have to grant a poverty exemption, in whole or in part, for the immediately preceding tax year on the principal residence of an individual who established eligibility in that tax year under Act's criteria. A claim would have to be filed with the board of review on a form prescribed by the Commission and provided by the local assessing unit, accompanied by supporting documentation establishing eligibility for the exemption for the immediately preceding tax year and any additional supporting documentation that the Commission required.

2022-2025 Poverty Exemption; Extend

Generally, if an assessor determines that an individual's principal residence is still eligible for the poverty exemption and it was exempt from the collection of property taxes in tax year 2019 or 2020, or both, it must remain exempt through tax year 2021 if, on or before February 15, 2021, the governing body of the local assessing unit in which the principal residence is located adopts a resolution that continues the exemption through tax year 2021 for all principal residences within that unit that were exempt in tax year 2019 or 2020, or both. The local assessing unit may require the owner of a principal residence exempt from the collection of taxes under this subsection to affirm ownership, poverty, and occupancy status in writing by filing with the local assessing unit the form prescribed by the Commission. The bill would extend this provision through the 2025 tax year for properties that were exempt in the 2019,

2020, or 2021 tax year. The governing body of a local assessing unit would have until December 1, 2023, to adopt a resolution to continue the exemption for those properties.

Qualified Error

Under the Act, if there has been a qualified error, it must be verified by the local assessing officer and approved by the board of review. If it is approved, the board of review must file an affidavit relative to the error within 30 days with the proper officials and all affected records must be corrected. If the error results in an overpayment or an underpayment, a rebate must be made to the taxpayer or the taxpayer must be notified and payment made within 30 days of the notice.

"Qualified error" means one or more of the items listed in the Act, including a mutual mistake of fact or an error of measurement or calculation of the physical dimensions or components of the real property being assessed. Under the bill, "qualified error" also would mean an exemption as specified under the bill, for the immediately preceding tax year only, if the exemption was not on the assessment roll and was not denied for that tax year. A claim for exemption would have to be filed with the board of review on a form prescribed by the Commission and provided by the local assessing unit, accompanied by supporting documentation establishing eligibility for the exemption for that immediately preceding tax year under the Act's criteria and any other supporting documentation the Commission required.

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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.