



**House
Legislative
Analysis
Section**

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HOMESTEAD/TRANSFER AFFIDAVITS

House Bill 5699 (Substitute H-2)
First Analysis (5-21-96)

Sponsor: Rep. Willis Bullard, Jr.
Committee: Tax Policy

THE APPARENT PROBLEM:

Under the state's new school financing/property tax system, put in place by the passage of Proposal A in 1994, owners of homestead and qualified agricultural property pay property taxes at a different rate than owners of non-homestead property. Homesteads (and agricultural property) pay a 6-mill state school property tax but are exempt from local school operating taxes. (Commercial and industrial property pay both the state and local school taxes.) Under the General Property Tax Act, to claim a homestead exemption, a property owner must file an affidavit on or before May 1 with the local unit. Under the same act, generally speaking, whenever real property is transferred, the buyer is required to file a form with the appropriate assessing office within 45 days of the transfer of ownership. This provision was added because another feature of Proposal A was a cap on how fast assessments -- the value of property for tax purposes -- could increase. Assessments cannot increase faster than inflation or 5 percent, whichever is less, until property is transferred. When property is transferred, it is re-assessed based on market value. This makes it necessary to track property transfers. It has been suggested that when property is purchased for use as a homestead, only one form should be necessary, not two, and that transfer information could be contained on the affidavit filed for a homestead exemption.

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act to require that, beginning January 1, 1999, homestead affidavit forms contain the information required in the notice of the transfer of ownership of property and that the buyer's filing of a homestead affidavit within 45 days of the transfer of ownership would satisfy the requirement that notice of the transfer of ownership be provided.

MCL 211.7cc and 211.27a

FISCAL IMPLICATIONS:

The bill has no fiscal implications, according to the House Fiscal Agency. (HFA fiscal note dated 5-10-96)

ARGUMENTS:

For:

Currently, people who are buying property for use as a homestead must file two different forms with the local unit of government, a notice of the transfer of ownership and a homestead affidavit. The two forms carry much of the same information. The bill would allow, beginning in 1999, for one form to be submitted to achieve both purposes.

POSITIONS:

Among those who indicated their support for the bill to the House Tax Policy Committee were the Michigan Municipal League, the Michigan Townships Association, and the Michigan Association of Homebuilders. (5-16-96)

The Department of Treasury is not opposed to the bill. (5-17-96)

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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