

Legislative Analysis



RESIDENTIAL PROPERTY TAX REDUCTION FOR SUPPORTIVE HOUSING PROPERTY

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House Bills 5437-5439

Sponsor: Rep. Steve Tobocman

Committee: Intergovernmental, Urban, and Regional Affairs

Complete to 9-15-08

A SUMMARY OF HOUSE BILLS 5437-5439 AS INTRODUCED 11-8-07

The bills would provide a property tax abatement for "supportive housing property." This kind of residential property would be exempt from the General Property Tax Act and be subject instead to a specific tax, to be called the supportive housing property specific tax, which would be equal to one-half of the amount that otherwise would be assessed in the local tax collecting unit. Up to 250 parcels of property could be designated as supportive housing property each year.

"Supportive housing property" would be defined to mean property that meets all of the following requirements: (1) is developed by an organization exempt under Section 501(c)(3) of the federal Internal Revenue Code; (2) is occupied solely by persons with low and moderate incomes who are eligible recipients of the public mental health system; and (3) is acquired after the effective date of this legislation. The designation of property as supporting housing property would be made by the Michigan State Housing Development Authority (MSHDA), upon application by the property owner. MSHDA could not certify more than 250 parcels of property as supportive housing property each year.

House Bill 5437 would amend the General Property Tax Act (MCL 211.1 to 211.157). House Bill 5438 would create a new act, the Supportive Housing Property Specific Tax Act. House Bill 5439 would amend the Michigan State Housing Development Authority Act (MCL 125.1401 to 125.1499c). The bills are tie-barred to each other so that none could go into effect unless all were enacted into law.

A more detailed description of each bill follows.

House Bill 5437

House Bill 5437 would amend the General Property Tax Act by adding a section that provides a tax exemption for housing developed by a nonprofit organization for individuals of low and moderate income who are eligible recipients of the public mental health system.

Beginning December 31, 2007, supportive housing property would be exempt from the collection of regular property taxes if an owner claimed an exemption. Instead, supportive housing would be subject to a specific tax levied under the Supportive

Housing Property Specific Tax Act (a new law that would be created by House Bill 5438).

Under the bill, an owner of supportive housing property could claim an exemption by filing an affidavit before December 31 with the local tax collecting unit. The affidavit, offered on a form prescribed by the Department of Treasury, would state that the property was owned and occupied as supportive housing. Copies would be on file with the local tax collector, the department, and the owner. Upon receiving an affidavit, a local assessor would exempt the supportive housing property from the collection of taxes until the end of the year in which the property was no longer supportive housing. An owner would have to rescind the claim of exemption on a rescission form (prescribed by the Department of Treasury) within 90 days after the property changed its purpose. An owner who failed to do so would be subject to a \$5 a day penalty, up to a maximum of \$200, which would be deposited into the School Aid Fund.

If the local tax assessor believed the property claiming an exemption was not supportive housing property, he or she could deny a new or existing claim by notifying the owner and the Department of Treasury in writing, and advising that the denial could be appealed to the State Tax Commission within 35 days. The assessor (either the local assessor or the county treasurer) could deny an exemption claim for the current year, and for the three immediately preceding calendar years. After denying an existing claim, the tax rolls would be amended within 30 days, and a corrected tax bill (including interest and penalties) would be submitted to the owner.

Taxes levied in a corrected or supplemental tax bill would be returned as delinquent on the March 1 in the year immediately succeeding the year in which the corrected or supplemental tax bill was issued. However, if the property had been transferred to a *bona fide* purchaser before additional taxes were billed, the new taxes would not be a lien on the property. Instead, the assessing unit would notify the Department of Treasury, and they would assess the owner who had claimed the exemption. The department would deposit any tax, penalty, and interest collected into the State School Aid Fund.

The bill requires the Department of Treasury to make available the affidavit forms and the forms to rescind an exemption to all city and township assessors, county equalization officers, county registers of deeds, and closing agents.

The bill specifies that "supportive housing property" mean real property certified as supportive housing property under chapter 3B of the State Housing Development Authority Act (to be created by House Bill 5439).

House Bill 5438

House Bill 5438 would create a new act to be known as the Supportive Housing Property Specific Tax Act.

The bill specifies that supportive housing property is exempt from ad valorem property taxes collected under the General Property Tax Act. Instead, the property would be subject to a specific tax, with the amount of the tax determined by multiplying 50 percent

of the number of mills that would otherwise be assessed in the local unit by the property's taxable value.

The specific tax would be an annual tax, payable at the same times, in the same installments, and to the same collecting officer as taxes collected under the General Property Tax Act. The tax would be distributed at the same times and in the same proportions as otherwise required. However, the amounts of the supportive housing property specific tax that would otherwise be disbursed to a local school district and an intermediate school district would be paid to the state treasury and credited to the State School Aid Fund. Unpaid supportive housing property specific taxes would be subject to forfeiture, foreclosure, and sale in the same manner and at the same time as taxes returned as delinquent under the General Property Tax Act.

House Bill 5439

House Bill 5439 would amend the State Housing Development Authority Act to provide for certification of supportive housing property.

The bill specifies that not more than 90 days after an owner of property submitted an application (on an approved form), the authority would be required to determine if property was supportive housing property. The bill defines "supportive housing property" to mean property that meets all of the following requirements: (1) is developed by an organization exempt under section 501(c)(3) of the Internal Revenue Code; (2) is occupied solely by persons with low and moderate incomes who are eligible recipients of the public mental health system; and (3) is acquired after the effective date of this legislation.

If the authority determined that property was supportive housing property, then it would certify that property. However, the authority could not certify more than 250 parcels of property as supportive housing property in each year.

An owner of property for which certification was denied, or a local unit of government in which property certified as supportive housing property was located, could appeal the authority's determination to the circuit court of the county in which the property was located.

FISCAL IMPACT:

The fiscal impact of these bills depends on the number of parcels that would be designated as supportive housing property. These bills would reduce property taxes by one-half for the properties involved and would affect the State education tax and the local property taxes.

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■ 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.