

Legislative Analysis



ADDITIONAL PRINCIPAL RESIDENCE EXEMPTION FOR A HOME INHERITED FROM A PARENT

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House Bill 6157

Sponsor: Rep. Judy Nemat

Committee: Tax Policy

Complete to 5-17-10

A SUMMARY OF HOUSE BILL 6157 AS INTRODUCED 5-12-10

Under Michigan's school financing system, owner-occupied homes (known as principal residences) are exempt from local school operating taxes and pay only the six-mill state education tax. Typically, a person can only claim one principal residence for this exemption. However, Public Act 96 of 2008 amended the General Property Tax Act to allow a homeowner to claim an additional principal residence exemption in specified circumstances.

Specifically, under PA 96, in addition to an owner's current principal residence, the owner can retain an exemption for up to three years on property previously exempt as the owner's principal residence if that property is not occupied, is for sale, is not leased or available for lease, and is not used for any business or commercial purpose. (This is understood to address the problem of the difficulty of selling a previous home in the current economy when moving to a new home.)

House Bill 6157 would extend this additional exemption so that it would also apply in cases where a deceased owner transfers by will or intestate succession a home that had been exempt as a principal residence to a natural or adopted child who is already claiming a principal residence. The bill would amend the General Property Tax Act (MCL 211.7cc).

In other words, if a homeowner inherits a parent's home, the principal residence exemption on the inherited home could remain in place for up to three years if the residence is not occupied, is for sale, is not leased or available for lease, and is not used for any business or commercial purpose

FISCAL IMPACT:

Given that the amount of property that would qualify for the extended 18-mill exemption is not known, the fiscal impact of these bills cannot accurately be determined. To the extent that additional property remains eligible for the 18-mill exemption, local property tax revenue that would be earmarked for local education would decline. Although there is no direct impact on state revenue, there is an indirect burden on the School Aid Fund in that it must compensate for reduced educational funding at the local level.

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