



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 831 (Substitute S-2 as reported)
Sponsor: Senator Mike Nofs
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to allow a person claiming the principal residence exemption (PRE) on his or her home to retain the PRE on inherited property for up to three years, under certain circumstances.

Under the Act, a principal residence is exempt from the taxes levied by a local school district for school operating purposes (which typically are 18 mills). A homeowner may claim one principal residence exemption by filing an affidavit with the local tax collecting unit.

Under the bill, if an owner were related to a decedent within the first degree by blood or affinity, the owner could retain the PRE on property that the decedent conveyed to the owner by will or intestate succession, if the property had previously been exempt as the decedent's principal residence. The property would have to be for sale and could not be occupied, leased, or used for any business or commercial purpose. If these conditions were met, the owner could retain the PRE for up to three years. To retain the exemption, the owner would have to file a conditional rescission form with the local tax collecting unit, within the time period for filing an affidavit claiming the PRE.

The PRE for property conveyed to an owner by will or intestate succession under these circumstances would be in addition to an exemption for property for which the owner was eligible and claimed a PRE as his or her principal residence.

MCL 211.7cc

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase State School Aid Fund expenditures by an unknown, and likely negligible, amount. The actual increase would depend on the number of properties affected, as well as their specific characteristics. Local school district revenue would not be affected because, while the bill would reduce revenue to local school districts, that reduction would be offset by an equal increase in School Aid Fund expenditures in order to maintain per-pupil funding guarantees.

Date Completed: 5-1-14

Fiscal Analyst: David Zin