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Senate Bill 831 (as introduced 2-26-14)
Sponsor: Senator Mike Nofs
Committee: Finance

Date Completed: 4-29-14

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 under Section 1211 of the Revised School Code (which typically are 18 mills). A homeowner may claim one principal residence exemption by filing an affidavit with the local tax collecting unit, and the affidavit must state that the property is owned and occupied as a principal residence by the owner.

Under the bill, if an owner were eligible for and claimed a PRE for his or her current principal residence, the owner would be allowed to retain an exemption on property conveyed to him or her by will or intestate succession (inheritance in the absence of a valid will), 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 prescribed by the Department of Treasury with the local tax collecting unit, within the time period for filing an affidavit claiming the PRE. (The Act requires an owner to file an affidavit by June 1 for the upcoming summer tax levy and all subsequent tax levies, or by November 1 for the upcoming winter tax levy and all subsequent tax levies.)

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.

Fiscal Analyst: David Zin

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