

# SENATE BILL No. 831

February 26, 2014, Introduced by Senators NOFS, PAPPAGEORGE, SCHUITMAKER, MARLEAU, ROCCA, BOOHER, ROBERTSON, JANSEN, COLBECK, MEEKHOF, HANSEN, CASPERSON, EMMONS, MOOLENAAR, WALKER, JONES and BRANDENBURG and referred to the Committee on Finance.

A bill to amend 1893 PA 206, entitled  
"The general property tax act,"  
by amending section 7cc (MCL 211.7cc), as amended by 2013 PA 140.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 7cc. (1) A principal residence is exempt from the tax  
2 levied by a local school district for school operating purposes to  
3 the extent provided under section 1211 of the revised school code,  
4 1976 PA 451, MCL 380.1211, if an owner of that principal residence  
5 claims an exemption as provided in this section. Notwithstanding  
6 the tax day provided in section 2, the status of property as a  
7 principal residence shall be determined on the date an affidavit  
8 claiming an exemption is filed under subsection (2).

9           (2) Except as otherwise provided in subsection (5), an owner  
10 of property may claim 1 exemption under this section by filing an

1 affidavit on or before May 1 for taxes levied before January 1,  
2 2012 or, for taxes levied after December 31, 2011, on or before  
3 June 1 for the immediately succeeding summer tax levy and all  
4 subsequent tax levies or on or before November 1 for the  
5 immediately succeeding winter tax levy and all subsequent tax  
6 levies with the local tax collecting unit in which the property is  
7 located. The affidavit shall state that the property is owned and  
8 occupied as a principal residence by that owner of the property on  
9 the date that the affidavit is signed. The affidavit shall be on a  
10 form prescribed by the department of treasury. One copy of the  
11 affidavit shall be retained by the owner, 1 copy shall be retained  
12 by the local tax collecting unit until any appeal or audit period  
13 under this act has expired, and 1 copy shall be forwarded to the  
14 department of treasury pursuant to subsection (4), together with  
15 all information submitted under subsection (28) for a cooperative  
16 housing corporation. The affidavit shall require the owner claiming  
17 the exemption to indicate if that owner or that owner's spouse has  
18 claimed another exemption on property in this state that is not  
19 rescinded or a substantially similar exemption, deduction, or  
20 credit on property in another state that is not rescinded. If the  
21 affidavit requires an owner to include a social security number,  
22 that owner's number is subject to the disclosure restrictions in  
23 1941 PA 122, MCL 205.1 to 205.31. If an owner of property filed an  
24 affidavit for an exemption under this section before January 1,  
25 2004, that affidavit shall be considered the affidavit required  
26 under this subsection for a principal residence exemption and that  
27 exemption shall remain in effect until rescinded as provided in

1 this section.

2 (3) Except as otherwise provided in subsection (5), a husband  
3 and wife who are required to file or who do file a joint Michigan  
4 income tax return are entitled to not more than 1 exemption under  
5 this section. For taxes levied after December 31, 2002, a person is  
6 not entitled to an exemption under this section if any of the  
7 following conditions occur:

8 (a) That person has claimed a substantially similar exemption,  
9 deduction, or credit on property in another state that is not  
10 rescinded.

11 (b) Subject to subdivision (a), that person or his or her  
12 spouse owns property in a state other than this state for which  
13 that person or his or her spouse claims an exemption, deduction, or  
14 credit substantially similar to the exemption provided under this  
15 section, unless that person and his or her spouse file separate  
16 income tax returns.

17 (c) That person has filed a nonresident Michigan income tax  
18 return, except active duty military personnel stationed in this  
19 state with his or her principal residence in this state.

20 (d) That person has filed an income tax return in a state  
21 other than this state as a resident, except active duty military  
22 personnel stationed in this state with his or her principal  
23 residence in this state.

24 (e) That person has previously rescinded an exemption under  
25 this section for the same property for which an exemption is now  
26 claimed and there has not been a transfer of ownership of that  
27 property after the previous exemption was rescinded, if either of

1 the following conditions is satisfied:

2 (i) That person has claimed an exemption under this section for  
3 any other property for that tax year.

4 (ii) That person has rescinded an exemption under this section  
5 on other property, which exemption remains in effect for that tax  
6 year, and there has not been a transfer of ownership of that  
7 property.

8 (4) Upon receipt of an affidavit filed under subsection (2)  
9 and unless the claim is denied under this section, the assessor  
10 shall exempt the property from the collection of the tax levied by  
11 a local school district for school operating purposes to the extent  
12 provided under section 1211 of the revised school code, 1976 PA  
13 451, MCL 380.1211, as provided in subsection (1) until December 31  
14 of the year in which the property is transferred or, except as  
15 otherwise provided in subsection (5), is no longer a principal  
16 residence as defined in section 7dd. The local tax collecting unit  
17 shall forward copies of affidavits to the department of treasury  
18 according to a schedule prescribed by the department of treasury.

19 (5) Except as otherwise provided in this subsection, not more  
20 than 90 days after exempted property is no longer used as a  
21 principal residence by the owner claiming an exemption, that owner  
22 shall rescind the claim of exemption by filing with the local tax  
23 collecting unit a rescission form prescribed by the department of  
24 treasury. If an owner is eligible for and claims an exemption for  
25 that owner's current principal residence, that owner may retain an  
26 exemption for not more than 3 tax years on property previously  
27 exempt as his or her principal residence if that property is not

1 occupied, is for sale, is not leased, and is not used for any  
2 business or commercial purpose by filing a conditional rescission  
3 form prescribed by the department of treasury with the local tax  
4 collecting unit within the time period prescribed in subsection  
5 (2). **IF AN OWNER IS ELIGIBLE FOR AND CLAIMS AN EXEMPTION FOR THAT**  
6 **OWNER'S CURRENT PRINCIPAL RESIDENCE, THAT OWNER MAY RETAIN AN**  
7 **EXEMPTION FOR NOT MORE THAN 3 TAX YEARS ON PROPERTY CONVEYED TO**  
8 **THAT OWNER BY WILL OR INTESTATE SUCCESSION IF THAT PROPERTY WAS**  
9 **PREVIOUSLY EXEMPT AS THE DECEDENT'S PRINCIPAL RESIDENCE AND IF THAT**  
10 **PROPERTY IS NOT OCCUPIED, IS FOR SALE, IS NOT LEASED, AND IS NOT**  
11 **USED FOR ANY BUSINESS OR COMMERCIAL PURPOSE BY FILING A CONDITIONAL**  
12 **RESCISSION FORM PRESCRIBED BY THE DEPARTMENT OF TREASURY WITH THE**  
13 **LOCAL TAX COLLECTING UNIT WITHIN THE TIME PERIOD PRESCRIBED IN**  
14 **SUBSECTION (2).** Beginning in the 2012 tax year, subject to the  
15 payment requirement set forth in this subsection, if a land  
16 contract vendor, bank, credit union, or other lending institution  
17 owns property as a result of a foreclosure or forfeiture of a  
18 recorded instrument under chapter 31, 32, or 57 of the revised  
19 judicature act of 1961, 1961 PA 236, MCL 600.3101 to 600.3285 and  
20 MCL 600.5701 to 600.5759, or through deed or conveyance in lieu of  
21 a foreclosure or forfeiture on that property and that property had  
22 been exempt under this section immediately preceding the  
23 foreclosure, that land contract vendor, bank, credit union, or  
24 other lending institution may retain an exemption on that property  
25 at the same percentage of exemption that the property previously  
26 had under this section if that property is not occupied other than  
27 by the person who claimed the exemption under this section

1 immediately preceding the foreclosure or forfeiture, is for sale,  
2 is not leased to any person other than the person who claimed the  
3 exemption under this section immediately preceding the foreclosure,  
4 and is not used for any business or commercial purpose. A land  
5 contract vendor, bank, credit union, or other lending institution  
6 may claim an exemption under this subsection by filing a  
7 conditional rescission form prescribed by the department of  
8 treasury with the local tax collecting unit within the time period  
9 prescribed in subsection (2). Property is eligible for a  
10 conditional rescission if that property is available for lease and  
11 all other conditions under this subsection are met. A copy of a  
12 conditional rescission form shall be forwarded to the department of  
13 treasury according to a schedule prescribed by the department of  
14 treasury. An owner or a land contract vendor, bank, credit union,  
15 or other lending institution that files a conditional rescission  
16 form shall annually verify to the assessor of the local tax  
17 collecting unit on or before December 31 that the property for  
18 which the principal residence exemption is retained is not occupied  
19 other than by the person who claimed the exemption under this  
20 section immediately preceding the foreclosure or forfeiture, is for  
21 sale, is not leased except as otherwise provided in this section,  
22 and is not used for any business or commercial purpose. The land  
23 contract vendor, bank, credit union, or other lending institution  
24 may retain the exemption authorized under this section for not more  
25 than 3 tax years. If an owner or a land contract vendor, bank,  
26 credit union, or other lending institution does not annually verify  
27 by December 31 that the property for which the principal residence

1 exemption is retained is not occupied other than by the person who  
2 claimed the exemption under this section immediately preceding the  
3 foreclosure or forfeiture, is for sale, is not leased except as  
4 otherwise provided in this section, and is not used for any  
5 business or commercial purpose, the assessor of the local tax  
6 collecting unit shall deny the principal residence exemption on  
7 that property. Except as otherwise provided in this section, if  
8 property subject to a conditional rescission is leased, the local  
9 tax collecting unit shall deny that conditional rescission and that  
10 denial is retroactive and is effective on December 31 of the year  
11 immediately preceding the year in which the property subject to the  
12 conditional rescission is leased. An owner who fails to file a  
13 rescission as required by this subsection is subject to a penalty  
14 of \$5.00 per day for each separate failure beginning after the 90  
15 days have elapsed, up to a maximum of \$200.00. This penalty shall  
16 be collected under 1941 PA 122, MCL 205.1 to 205.31, and shall be  
17 deposited in the state school aid fund established in section 11 of  
18 article IX of the state constitution of 1963. This penalty may be  
19 waived by the department of treasury. If a land contract vendor,  
20 bank, credit union, or other lending institution retains an  
21 exemption on property under this subsection, that land contract  
22 vendor, bank, credit union, or other lending institution shall pay  
23 an amount equal to the additional amount that land contract vendor,  
24 bank, credit union, or other lending institution would have paid  
25 under section 1211 of the revised school code, 1976 PA 451, MCL  
26 380.1211, if an exemption had not been retained on that property,  
27 together with an administration fee equal to the property tax

1 administration fee imposed under section 44. The payment required  
2 under this subsection shall be collected by the local tax  
3 collecting unit at the same time and in the same manner as taxes  
4 collected under this act. The administration fee shall be retained  
5 by the local tax collecting unit. The amount collected that the  
6 land contract vendor, bank, credit union, or other lending  
7 institution would have paid under section 1211 of the revised  
8 school code, 1976 PA 451, MCL 380.1211, if an exemption had not  
9 been retained on that property is an amount that is not captured by  
10 any authority as tax increment revenues and shall be distributed to  
11 the department of treasury monthly for deposit into the state  
12 school aid fund established in section 11 of article IX of the  
13 state constitution of 1963. If a land contract vendor, bank, credit  
14 union, or other lending institution transfers ownership of property  
15 for which an exemption is retained under this subsection, that land  
16 contract vendor, bank, credit union, or other lending institution  
17 shall rescind the exemption as provided in this section and shall  
18 notify the treasurer of the local tax collecting unit of that  
19 transfer of ownership. If a land contract vendor, bank, credit  
20 union, or other lending institution fails to make the payment  
21 required under this subsection for any property within the period  
22 for which property taxes are due and payable without penalty, the  
23 local tax collecting unit shall deny that conditional rescission  
24 and that denial is retroactive and is effective on December 31 of  
25 the immediately preceding year. If the local tax collecting unit  
26 denies a conditional rescission, the local tax collecting unit  
27 shall remove the exemption of the property and the amount due from

1 the land contract vendor, bank, credit union, or other lending  
2 institution shall be a tax so that the additional taxes, penalties,  
3 and interest shall be collected as provided for in this section. If  
4 payment of the tax under this subsection is not made by the March 1  
5 following the levy of the tax, the tax shall be turned over to the  
6 county treasurer and collected in the same manner as delinquent  
7 taxes under this act. A person who previously occupied property as  
8 his or her principal residence but now resides in a nursing home or  
9 assisted living facility may retain an exemption on that property  
10 if the owner manifests an intent to return to that property by  
11 satisfying all of the following conditions:

12 (a) The owner continues to own that property while residing in  
13 the nursing home or assisted living facility.

14 (b) The owner has not established a new principal residence.

15 (c) The owner maintains or provides for the maintenance of  
16 that property while residing in the nursing home or assisted living  
17 facility.

18 (d) That property is not occupied, is not for sale, is not  
19 leased, and is not used for any business or commercial purpose.

20 (6) Except as otherwise provided in subsection (5), if the  
21 assessor of the local tax collecting unit believes that the  
22 property for which an exemption is claimed is not the principal  
23 residence of the owner claiming the exemption, the assessor may  
24 deny a new or existing claim by notifying the owner and the  
25 department of treasury in writing of the reason for the denial and  
26 advising the owner that the denial may be appealed to the  
27 residential and small claims division of the Michigan tax tribunal

1 within 35 days after the date of the notice. The assessor may deny  
2 a claim for exemption for the current year and for the 3  
3 immediately preceding calendar years. If the assessor denies an  
4 existing claim for exemption, the assessor shall remove the  
5 exemption of the property and, if the tax roll is in the local tax  
6 collecting unit's possession, amend the tax roll to reflect the  
7 denial and the local treasurer shall within 30 days of the date of  
8 the denial issue a corrected tax bill for any additional taxes with  
9 interest at the rate of 1.25% per month or fraction of a month and  
10 penalties computed from the date the taxes were last payable  
11 without interest or penalty. If the tax roll is in the county  
12 treasurer's possession, the tax roll shall be amended to reflect  
13 the denial and the county treasurer shall within 30 days of the  
14 date of the denial prepare and submit a supplemental tax bill for  
15 any additional taxes, together with interest at the rate of 1.25%  
16 per month or fraction of a month and penalties computed from the  
17 date the taxes were last payable without interest or penalty.  
18 Interest on any tax set forth in a corrected or supplemental tax  
19 bill shall again begin to accrue 60 days after the date the  
20 corrected or supplemental tax bill is issued at the rate of 1.25%  
21 per month or fraction of a month. Taxes levied in a corrected or  
22 supplemental tax bill shall be returned as delinquent on the March  
23 1 in the year immediately succeeding the year in which the  
24 corrected or supplemental tax bill is issued. If the assessor  
25 denies an existing claim for exemption, the interest due shall be  
26 distributed as provided in subsection (25). However, if the  
27 property has been transferred to a bona fide purchaser before

1 additional taxes were billed to the seller as a result of the  
2 denial of a claim for exemption, the taxes, interest, and penalties  
3 shall not be a lien on the property and shall not be billed to the  
4 bona fide purchaser, and the local tax collecting unit if the local  
5 tax collecting unit has possession of the tax roll or the county  
6 treasurer if the county has possession of the tax roll shall notify  
7 the department of treasury of the amount of tax due, interest, and  
8 penalties through the date of that notification. The department of  
9 treasury shall then assess the owner who claimed the exemption  
10 under this section for the tax, interest, and penalties accruing as  
11 a result of the denial of the claim for exemption, if any, as for  
12 unpaid taxes provided under 1941 PA 122, MCL 205.1 to 205.31, and  
13 shall deposit any tax or penalty collected into the state school  
14 aid fund and shall distribute any interest collected as provided in  
15 subsection (25). The denial shall be made on a form prescribed by  
16 the department of treasury. If the property for which the assessor  
17 has denied a claim for exemption under this subsection is located  
18 in a county in which the county treasurer or the county  
19 equalization director have elected to audit exemptions under  
20 subsection (10), the assessor shall notify the county treasurer or  
21 the county equalization director of the denial under this  
22 subsection.

23 (7) If the assessor of the local tax collecting unit believes  
24 that the property for which the exemption is claimed is not the  
25 principal residence of the owner claiming the exemption and has not  
26 denied the claim, the assessor shall include a recommendation for  
27 denial with any affidavit that is forwarded to the department of

1 treasury or, for an existing claim, shall send a recommendation for  
2 denial to the department of treasury, stating the reasons for the  
3 recommendation.

4 (8) The department of treasury shall determine if the property  
5 is the principal residence of the owner claiming the exemption.  
6 Except as otherwise provided in subsection (21), the department of  
7 treasury may review the validity of exemptions for the current  
8 calendar year and for the 3 immediately preceding calendar years.  
9 Except as otherwise provided in subsection (5), if the department  
10 of treasury determines that the property is not the principal  
11 residence of the owner claiming the exemption, the department shall  
12 send a notice of that determination to the local tax collecting  
13 unit and to the owner of the property claiming the exemption,  
14 indicating that the claim for exemption is denied, stating the  
15 reason for the denial, and advising the owner claiming the  
16 exemption of the right to appeal the determination to the  
17 department of treasury and what those rights of appeal are. The  
18 department of treasury may issue a notice denying a claim if an  
19 owner fails to respond within 30 days of receipt of a request for  
20 information from that department. An owner may appeal the denial of  
21 a claim of exemption to the department of treasury within 35 days  
22 of receipt of the notice of denial. An appeal to the department of  
23 treasury shall be conducted according to the provisions for an  
24 informal conference in section 21 of 1941 PA 122, MCL 205.21.  
25 Within 10 days after acknowledging an appeal of a denial of a claim  
26 of exemption, the department of treasury shall notify the assessor  
27 and the treasurer for the county in which the property is located

1 that an appeal has been filed. Upon receipt of a notice that the  
2 department of treasury has denied a claim for exemption, the  
3 assessor shall remove the exemption of the property and, if the tax  
4 roll is in the local tax collecting unit's possession, amend the  
5 tax roll to reflect the denial and the local treasurer shall within  
6 30 days of the date of the denial issue a corrected tax bill for  
7 any additional taxes with interest at the rate of 1.25% per month  
8 or fraction of a month and penalties computed from the date the  
9 taxes were last payable without interest and penalty. If the tax  
10 roll is in the county treasurer's possession, the tax roll shall be  
11 amended to reflect the denial and the county treasurer shall within  
12 30 days of the date of the denial prepare and submit a supplemental  
13 tax bill for any additional taxes, together with interest at the  
14 rate of 1.25% per month or fraction of a month and penalties  
15 computed from the date the taxes were last payable without interest  
16 or penalty. Interest on any tax set forth in a corrected or  
17 supplemental tax bill shall again begin to accrue 60 days after the  
18 date the corrected or supplemental tax bill is issued at the rate  
19 of 1.25% per month or fraction of a month. The department of  
20 treasury may waive interest on any tax set forth in a corrected or  
21 supplemental tax bill for the current tax year and the immediately  
22 preceding 3 tax years if the assessor of the local tax collecting  
23 unit files with the department of treasury a sworn affidavit in a  
24 form prescribed by the department of treasury stating that the tax  
25 set forth in the corrected or supplemental tax bill is a result of  
26 the assessor's classification error or other error or the  
27 assessor's failure to rescind the exemption after the owner

1 requested in writing that the exemption be rescinded. Taxes levied  
2 in a corrected or supplemental tax bill shall be returned as  
3 delinquent on the March 1 in the year immediately succeeding the  
4 year in which the corrected or supplemental tax bill is issued. If  
5 the department of treasury denies an existing claim for exemption,  
6 the interest due shall be distributed as provided in subsection  
7 (25). However, if the property has been transferred to a bona fide  
8 purchaser before additional taxes were billed to the seller as a  
9 result of the denial of a claim for exemption, the taxes, interest,  
10 and penalties shall not be a lien on the property and shall not be  
11 billed to the bona fide purchaser, and the local tax collecting  
12 unit if the local tax collecting unit has possession of the tax  
13 roll or the county treasurer if the county has possession of the  
14 tax roll shall notify the department of treasury of the amount of  
15 tax due and interest through the date of that notification. The  
16 department of treasury shall then assess the owner who claimed the  
17 exemption under this section for the tax and interest plus penalty  
18 accruing as a result of the denial of the claim for exemption, if  
19 any, as for unpaid taxes provided under 1941 PA 122, MCL 205.1 to  
20 205.31, and shall deposit any tax or penalty collected into the  
21 state school aid fund and shall distribute any interest collected  
22 as provided in subsection (25).

23 (9) The department of treasury may enter into an agreement  
24 regarding the implementation or administration of subsection (8)  
25 with the assessor of any local tax collecting unit in a county that  
26 has not elected to audit exemptions claimed under this section as  
27 provided in subsection (10). The agreement may specify that for a

1 period of time, not to exceed 120 days, the department of treasury  
2 will not deny an exemption identified by the department of treasury  
3 in the list provided under subsection (11).

4 (10) A county may elect to audit the exemptions claimed under  
5 this section in all local tax collecting units located in that  
6 county as provided in this subsection. The election to audit  
7 exemptions shall be made by the county treasurer, or by the county  
8 equalization director with the concurrence by resolution of the  
9 county board of commissioners. The initial election to audit  
10 exemptions shall require an audit period of 2 years. Before 2009,  
11 subsequent elections to audit exemptions shall be made every 2  
12 years and shall require 2 annual audit periods. Beginning in 2009,  
13 an election to audit exemptions shall be made every 5 years and  
14 shall require 5 annual audit periods. An election to audit  
15 exemptions shall be made by submitting an election to audit form to  
16 the assessor of each local tax collecting unit in that county and  
17 to the department of treasury not later than April 1 preceding the  
18 October 1 in the year in which an election to audit is made. The  
19 election to audit form required under this subsection shall be in a  
20 form prescribed by the department of treasury. If a county elects  
21 to audit the exemptions claimed under this section, the department  
22 of treasury may continue to review the validity of exemptions as  
23 provided in subsection (8). If a county does not elect to audit the  
24 exemptions claimed under this section as provided in this  
25 subsection, the department of treasury shall conduct an audit of  
26 exemptions claimed under this section in the initial 2-year audit  
27 period for each local tax collecting unit in that county unless the

1 department of treasury has entered into an agreement with the  
2 assessor for that local tax collecting unit under subsection (9).

3 (11) If a county elects to audit the exemptions claimed under  
4 this section as provided in subsection (10) and the county  
5 treasurer or his or her designee or the county equalization  
6 director or his or her designee believes that the property for  
7 which an exemption is claimed is not the principal residence of the  
8 owner claiming the exemption, the county treasurer or his or her  
9 designee or the county equalization director or his or her designee  
10 may, except as otherwise provided in subsection (5), deny an  
11 existing claim by notifying the owner, the assessor of the local  
12 tax collecting unit, and the department of treasury in writing of  
13 the reason for the denial and advising the owner that the denial  
14 may be appealed to the residential and small claims division of the  
15 Michigan tax tribunal within 35 days after the date of the notice.  
16 The county treasurer or his or her designee or the county  
17 equalization director or his or her designee may deny a claim for  
18 exemption for the current year and for the 3 immediately preceding  
19 calendar years. If the county treasurer or his or her designee or  
20 the county equalization director or his or her designee denies an  
21 existing claim for exemption, the county treasurer or his or her  
22 designee or the county equalization director or his or her designee  
23 shall direct the assessor of the local tax collecting unit in which  
24 the property is located to remove the exemption of the property  
25 from the assessment roll and, if the tax roll is in the local tax  
26 collecting unit's possession, direct the assessor of the local tax  
27 collecting unit to amend the tax roll to reflect the denial and the

1 treasurer of the local tax collecting unit shall within 30 days of  
2 the date of the denial issue a corrected tax bill for any  
3 additional taxes with interest at the rate of 1.25% per month or  
4 fraction of a month and penalties computed from the date the taxes  
5 were last payable without interest and penalty. If the tax roll is  
6 in the county treasurer's possession, the tax roll shall be amended  
7 to reflect the denial and the county treasurer shall within 30 days  
8 of the date of the denial prepare and submit a supplemental tax  
9 bill for any additional taxes, together with interest at the rate  
10 of 1.25% per month or fraction of a month and penalties computed  
11 from the date the taxes were last payable without interest or  
12 penalty. Interest on any tax set forth in a corrected or  
13 supplemental tax bill shall again begin to accrue 60 days after the  
14 date the corrected or supplemental tax bill is issued at the rate  
15 of 1.25% per month or fraction of a month. Taxes levied in a  
16 corrected or supplemental tax bill shall be returned as delinquent  
17 on the March 1 in the year immediately succeeding the year in which  
18 the corrected or supplemental tax bill is issued. If the county  
19 treasurer or his or her designee or the county equalization  
20 director or his or her designee denies an existing claim for  
21 exemption, the interest due shall be distributed as provided in  
22 subsection (25). However, if the property has been transferred to a  
23 bona fide purchaser before additional taxes were billed to the  
24 seller as a result of the denial of a claim for exemption, the  
25 taxes, interest, and penalties shall not be a lien on the property  
26 and shall not be billed to the bona fide purchaser, and the local  
27 tax collecting unit if the local tax collecting unit has possession

1 of the tax roll or the county treasurer if the county has  
2 possession of the tax roll shall notify the department of treasury  
3 of the amount of tax due and interest through the date of that  
4 notification. The department of treasury shall then assess the  
5 owner who claimed the exemption under this section for the tax and  
6 interest plus penalty accruing as a result of the denial of the  
7 claim for exemption, if any, as for unpaid taxes provided under  
8 1941 PA 122, MCL 205.1 to 205.31, and shall deposit any tax or  
9 penalty collected into the state school aid fund and shall  
10 distribute any interest collected as provided in subsection (25).  
11 The department of treasury shall annually provide the county  
12 treasurer or his or her designee or the county equalization  
13 director or his or her designee a list of parcels of property  
14 located in that county for which an exemption may be erroneously  
15 claimed. The county treasurer or his or her designee or the county  
16 equalization director or his or her designee shall forward copies  
17 of the list provided by the department of treasury to each assessor  
18 in each local tax collecting unit in that county within 10 days of  
19 receiving the list.

20 (12) If a county elects to audit exemptions claimed under this  
21 section as provided in subsection (10), the county treasurer or the  
22 county equalization director may enter into an agreement with the  
23 assessor of a local tax collecting unit in that county regarding  
24 the implementation or administration of this section. The agreement  
25 may specify that for a period of time, not to exceed 120 days, the  
26 county will not deny an exemption identified by the department of  
27 treasury in the list provided under subsection (11).

1           (13) An owner may appeal a denial by the assessor of the local  
2 tax collecting unit under subsection (6), a final decision of the  
3 department of treasury under subsection (8), or a denial by the  
4 county treasurer or his or her designee or the county equalization  
5 director or his or her designee under subsection (11) to the  
6 residential and small claims division of the Michigan tax tribunal  
7 within 35 days of that decision. An owner is not required to pay  
8 the amount of tax in dispute in order to appeal a denial of a claim  
9 of exemption to the department of treasury or to receive a final  
10 determination of the residential and small claims division of the  
11 Michigan tax tribunal. However, interest at the rate of 1.25% per  
12 month or fraction of a month and penalties shall accrue and be  
13 computed from the date the taxes were last payable without interest  
14 and penalty. If the residential and small claims division of the  
15 Michigan tax tribunal grants an owner's appeal of a denial and that  
16 owner has paid the interest due as a result of a denial under  
17 subsection (6), (8), or (11), the interest received after a  
18 distribution was made under subsection (25) shall be refunded.

19           (14) For taxes levied after December 31, 2005, for each county  
20 in which the county treasurer or the county equalization director  
21 does not elect to audit the exemptions claimed under this section  
22 as provided in subsection (10), the department of treasury shall  
23 conduct an annual audit of exemptions claimed under this section  
24 for the current calendar year.

25           (15) Except as otherwise provided in subsection (5), an  
26 affidavit filed by an owner for the exemption under this section  
27 rescinds all previous exemptions filed by that owner for any other

1 property. The department of treasury shall notify the assessor of  
2 the local tax collecting unit in which the property for which a  
3 previous exemption was claimed is located if the previous exemption  
4 is rescinded by the subsequent affidavit. When an exemption is  
5 rescinded, the assessor of the local tax collecting unit shall  
6 remove the exemption effective December 31 of the year in which the  
7 affidavit was filed that rescinded the exemption. For any year for  
8 which the rescinded exemption has not been removed from the tax  
9 roll, the exemption shall be denied as provided in this section.  
10 However, interest and penalty shall not be imposed for a year for  
11 which a rescission form has been timely filed under subsection (5).

12 (16) Except as otherwise provided in subsection (30), if the  
13 principal residence is part of a unit in a multiple-unit dwelling  
14 or a dwelling unit in a multiple-purpose structure, an owner shall  
15 claim an exemption for only that portion of the total taxable value  
16 of the property used as the principal residence of that owner in a  
17 manner prescribed by the department of treasury. If a portion of a  
18 parcel for which the owner claims an exemption is used for a  
19 purpose other than as a principal residence, the owner shall claim  
20 an exemption for only that portion of the taxable value of the  
21 property used as the principal residence of that owner in a manner  
22 prescribed by the department of treasury.

23 (17) When a county register of deeds records a transfer of  
24 ownership of a property, he or she shall notify the local tax  
25 collecting unit in which the property is located of the transfer.

26 (18) The department of treasury shall make available the  
27 affidavit forms and the forms to rescind an exemption, which may be

1 on the same form, to all city and township assessors, county  
2 equalization officers, county registers of deeds, and closing  
3 agents. A person who prepares a closing statement for the sale of  
4 property shall provide affidavit and rescission forms to the buyer  
5 and seller at the closing and, if requested by the buyer or seller  
6 after execution by the buyer or seller, shall file the forms with  
7 the local tax collecting unit in which the property is located. If  
8 a closing statement preparer fails to provide exemption affidavit  
9 and rescission forms to the buyer and seller, or fails to file the  
10 affidavit and rescission forms with the local tax collecting unit  
11 if requested by the buyer or seller, the buyer may appeal to the  
12 department of treasury within 30 days of notice to the buyer that  
13 an exemption was not recorded. If the department of treasury  
14 determines that the buyer qualifies for the exemption, the  
15 department of treasury shall notify the assessor of the local tax  
16 collecting unit that the exemption is granted and the assessor of  
17 the local tax collecting unit or, if the tax roll is in the  
18 possession of the county treasurer, the county treasurer shall  
19 correct the tax roll to reflect the exemption. This subsection does  
20 not create a cause of action at law or in equity against a closing  
21 statement preparer who fails to provide exemption affidavit and  
22 rescission forms to a buyer and seller or who fails to file the  
23 affidavit and rescission forms with the local tax collecting unit  
24 when requested to do so by the buyer or seller.

25 (19) An owner who owned and occupied a principal residence on  
26 May 1 for taxes levied before January 1, 2012 for which the  
27 exemption was not on the tax roll may file an appeal with the July

1 board of review or December board of review in the year for which  
2 the exemption was claimed or the immediately succeeding 3 years.  
3 For taxes levied after December 31, 2011, an owner who owned and  
4 occupied a principal residence on June 1 or November 1 for which  
5 the exemption was not on the tax roll may file an appeal with the  
6 July board of review or December board of review in the year for  
7 which the exemption was claimed or the immediately succeeding 3  
8 years. If an appeal of a claim for exemption that was not on the  
9 tax roll is received not later than 5 days prior to the date of the  
10 December board of review, the local tax collecting unit shall  
11 convene a December board of review and consider the appeal pursuant  
12 to this section and section 53b.

13 (20) An owner who owned and occupied a principal residence  
14 within the time period prescribed in subsection (2) in any year  
15 before the 3 immediately preceding tax years for which the  
16 exemption was not on the tax roll as a result of a qualified error  
17 on the part of the local tax collecting unit may file a request for  
18 the exemption for those tax years with the department of treasury.  
19 The request for the exemption shall be in a form prescribed by the  
20 department of treasury and shall include all documentation the  
21 department of treasury considers necessary to consider the request  
22 and to correct any affected official records if a qualified error  
23 on the part of the local tax collecting unit is recognized and an  
24 exemption is granted. If the department of treasury denies a  
25 request for the exemption under this subsection, the owner is  
26 responsible for all costs related to the request as determined by  
27 the department of treasury. If the department of treasury grants a

1 request for the exemption under this subsection and the exemption  
2 results in an overpayment of the tax in the years under  
3 consideration, the department of treasury shall notify the  
4 treasurer of the local tax collecting unit, the county treasurer,  
5 and other affected officials of the error and the granting of the  
6 request for the exemption and all affected official records shall  
7 be corrected consistent with guidance provided by the department of  
8 treasury. If granting the request for the exemption results in an  
9 overpayment, a rebate, including any interest paid by the owner,  
10 shall be paid to the owner within 30 days of the receipt of the  
11 notice. A rebate shall be without interest. The treasurer in  
12 possession of the appropriate tax roll may deduct the rebate from  
13 the appropriate tax collecting unit's subsequent distribution of  
14 taxes. The treasurer in possession of the appropriate tax roll  
15 shall bill to the appropriate tax collecting unit the tax  
16 collecting unit's share of taxes rebated. A local tax collecting  
17 unit responsible for a qualified error under this subsection shall  
18 reimburse each county treasurer and other affected local official  
19 required to correct official records under this subsection for the  
20 costs incurred in complying with this subsection.

21 (21) If an owner of property received a principal residence  
22 exemption to which that owner was not entitled in any year before  
23 the 3 immediately preceding tax years, as a result of a qualified  
24 error on the part of the local tax collecting unit, the department  
25 of treasury may deny the principal residence exemption as provided  
26 in subsection (8). If the department of treasury denies an  
27 exemption under this subsection, the owner shall be issued a

1 corrected or supplemental tax bill as provided in subsection (8),  
2 except interest shall not accrue until 60 days after the date the  
3 corrected or supplemental tax bill is issued. A local tax  
4 collecting unit responsible for a qualified error under this  
5 subsection shall reimburse each county treasurer and other affected  
6 local official required to correct official records under this  
7 subsection for the costs incurred in complying with this  
8 subsection.

9 (22) If the assessor or treasurer of the local tax collecting  
10 unit believes that the department of treasury erroneously denied a  
11 claim for exemption, the assessor or treasurer may submit written  
12 information supporting the owner's claim for exemption to the  
13 department of treasury within 35 days of the owner's receipt of the  
14 notice denying the claim for exemption. If, after reviewing the  
15 information provided, the department of treasury determines that  
16 the claim for exemption was erroneously denied, the department of  
17 treasury shall grant the exemption and the tax roll shall be  
18 amended to reflect the exemption.

19 (23) If granting the exemption under this section results in  
20 an overpayment of the tax, a rebate, including any interest paid,  
21 shall be made to the taxpayer by the local tax collecting unit if  
22 the local tax collecting unit has possession of the tax roll or by  
23 the county treasurer if the county has possession of the tax roll  
24 within 30 days of the date the exemption is granted. The rebate  
25 shall be without interest. If an exemption for property classified  
26 as timber-cutover real property is granted under this section for  
27 the 2008 or 2009 tax year, the tax roll shall be corrected and any

1 delinquent and unpaid penalty, interest, and tax resulting from  
2 that property not having been exempt under this section for the  
3 2008 or 2009 tax year shall be waived.

4 (24) If an exemption under this section is erroneously granted  
5 for an affidavit filed before October 1, 2003, an owner may request  
6 in writing that the department of treasury withdraw the exemption.  
7 The request to withdraw the exemption shall be received not later  
8 than November 1, 2003. If an owner requests that an exemption be  
9 withdrawn, the department of treasury shall issue an order  
10 notifying the local assessor that the exemption issued under this  
11 section has been denied based on the owner's request. If an  
12 exemption is withdrawn, the property that had been subject to that  
13 exemption shall be immediately placed on the tax roll by the local  
14 tax collecting unit if the local tax collecting unit has possession  
15 of the tax roll or by the county treasurer if the county has  
16 possession of the tax roll as though the exemption had not been  
17 granted. A corrected tax bill shall be issued for the tax year  
18 being adjusted by the local tax collecting unit if the local tax  
19 collecting unit has possession of the tax roll or by the county  
20 treasurer if the county has possession of the tax roll. Unless a  
21 denial has been issued prior to July 1, 2003, if an owner requests  
22 that an exemption under this section be withdrawn and that owner  
23 pays the corrected tax bill issued under this subsection within 30  
24 days after the corrected tax bill is issued, that owner is not  
25 liable for any penalty or interest on the additional tax. An owner  
26 who pays a corrected tax bill issued under this subsection more  
27 than 30 days after the corrected tax bill is issued is liable for

1 the penalties and interest that would have accrued if the exemption  
2 had not been granted from the date the taxes were originally  
3 levied.

4 (25) Subject to subsection (26), interest at the rate of 1.25%  
5 per month or fraction of a month collected under subsection (6),  
6 (8), or (11) shall be distributed as follows:

7 (a) If the assessor of the local tax collecting unit denies  
8 the exemption under this section, as follows:

9 (i) To the local tax collecting unit, 70%.

10 (ii) To the department of treasury, 10%.

11 (iii) To the county in which the property is located, 20%.

12 (b) If the department of treasury denies the exemption under  
13 this section, as follows:

14 (i) To the local tax collecting unit, 20%.

15 (ii) To the department of treasury, 70%.

16 (iii) To the county in which the property is located, 10%.

17 (c) If the county treasurer or his or her designee or the  
18 county equalization director or his or her designee denies the  
19 exemption under this section, as follows:

20 (i) To the local tax collecting unit, 20%.

21 (ii) To the department of treasury, 10%.

22 (iii) To the county in which the property is located, 70%.

23 (26) Interest distributed under subsection (25) is subject to  
24 the following conditions:

25 (a) Interest distributed to a county shall be deposited into a  
26 restricted fund to be used solely for the administration of  
27 exemptions under this section. Money in that restricted fund shall

1 lapse to the county general fund on the December 31 in the year 3  
2 years after the first distribution of interest to the county under  
3 subsection (25) and on each succeeding December 31 thereafter.

4 (b) Interest distributed to the department of treasury shall  
5 be deposited into the principal residence property tax exemption  
6 audit fund, which is created within the state treasury. The state  
7 treasurer may receive money or other assets from any source for  
8 deposit into the fund. The state treasurer shall direct the  
9 investment of the fund. The state treasurer shall credit to the  
10 fund interest and earnings from fund investments. Money in the fund  
11 shall be considered a work project account and at the close of the  
12 fiscal year shall remain in the fund and shall not lapse to the  
13 general fund. Money from the fund shall be expended, upon  
14 appropriation, only for the purpose of auditing exemption  
15 affidavits.

16 (27) Interest distributed under subsection (25) is in addition  
17 to and shall not affect the levy or collection of the county  
18 property tax administration fee established under this act.

19 (28) A cooperative housing corporation is entitled to a full  
20 or partial exemption under this section for the tax year in which  
21 the cooperative housing corporation files all of the following with  
22 the local tax collecting unit in which the cooperative housing  
23 corporation is located if filed within the time period prescribed  
24 in subsection (2):

25 (a) An affidavit form.

26 (b) A statement of the total number of units owned by the  
27 cooperative housing corporation and occupied as the principal

1 residence of a tenant stockholder as of the date of the filing  
2 under this subsection.

3 (c) A list that includes the name, address, and social  
4 security number of each tenant stockholder of the cooperative  
5 housing corporation occupying a unit in the cooperative housing  
6 corporation as his or her principal residence as of the date of the  
7 filing under this subsection.

8 (d) A statement of the total number of units of the  
9 cooperative housing corporation on which an exemption under this  
10 section was claimed and that were transferred in the tax year  
11 immediately preceding the tax year in which the filing under this  
12 section was made.

13 (29) Before May 1, 2004 and before May 1, 2005, the treasurer  
14 of each county shall forward to the department of education a  
15 statement of the taxable value of each school district and fraction  
16 of a school district within the county for the preceding 4 calendar  
17 years. This requirement is in addition to the requirement set forth  
18 in section 151 of the state school aid act of 1979, 1979 PA 94, MCL  
19 388.1751.

20 (30) For a parcel of property open and available for use as a  
21 bed and breakfast, the portion of the taxable value of the property  
22 used as a principal residence under subsection (16) shall be  
23 calculated in the following manner:

24 (a) Add all of the following:

25 (i) The square footage of the property used exclusively as that  
26 owner's principal residence.

27 (ii) 50% of the square footage of the property's common area.

1           (iii) If the property was not open and available for use as a  
2 bed and breakfast for 90 or more consecutive days in the  
3 immediately preceding 12-month period, the result of the following  
4 calculation:

5           (A) Add the square footage of the property that is open and  
6 available regularly and exclusively as a bed and breakfast, and 50%  
7 of the square footage of the property's common area.

8           (B) Multiply the result of the calculation in sub-subparagraph  
9 (A) by a fraction, the numerator of which is the number of  
10 consecutive days in the immediately preceding 12-month period that  
11 the property was not open and available for use as a bed and  
12 breakfast and the denominator of which is 365.

13           (b) Divide the result of the calculation in subdivision (a) by  
14 the total square footage of the property.

15           (31) The owner claiming an exemption under this section for  
16 property open and available as a bed and breakfast shall file an  
17 affidavit claiming the exemption within the time period prescribed  
18 in subsection (2) with the local tax collecting unit in which the  
19 property is located. The affidavit shall be in a form prescribed by  
20 the department of treasury.

21           (32) As used in this section:

22           (a) "Bed and breakfast" means property classified as  
23 residential real property under section 34c that meets all of the  
24 following criteria:

25           (i) Has 10 or fewer sleeping rooms, including sleeping rooms  
26 occupied by the owner of the property, 1 or more of which are  
27 available for rent to transient tenants.

1           (ii) Serves meals at no extra cost to its transient tenants.

2           (iii) Has a smoke detector in proper working order in each  
3 sleeping room and a fire extinguisher in proper working order on  
4 each floor.

5           (b) "Common area" includes, but is not limited to, a kitchen,  
6 dining room, living room, fitness room, porch, hallway, laundry  
7 room, or bathroom that is available for use by guests of a bed and  
8 breakfast or, unless guests are specifically prohibited from access  
9 to the area, an area that is used to provide a service to guests of  
10 a bed and breakfast.

11           (c) "Qualified error" means that term as defined in section  
12 53b.