

AMEND PROPERTY TAX EXEMPTION FOR NONPROFIT HOUSING FOR DISABLED OR ELDERLY

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Senate Bill 171 (reported from House committee as H-1)

Sponsor: Sen. Steven Bieda

House Committee: Tax Policy

Senate Committee: Finance

Complete to 3-22-16

(Enacted as Public Act 78 of 2016)

SUMMARY:

Section 7d of the General Property Tax Act contains a tax exemption for nonprofit housing for the elderly or disabled. The exemption is granted by the local assessor. There is a process in the act by which the state government makes a payment in lieu of taxes to a local unit for revenue lost due to the exemption, except for state and local school operating taxes.

The property owner currently may claim the exemption by filing a form prescribed by the Department of Treasury with the local assessor, who must approve or disapprove the exemption. The assessor also must notify the Department of the approval or disapproval, and the department may deny an exemption.

Senate Bill 171 would amend Section 7d in the following ways:

**** Under the bill, a property owner would claim an exemption by simultaneously filing a form prescribed by the department with both the assessor of the local tax collecting unit and the department not later than October 31. The assessor would have to approve or disapprove the exemption within 60 days of receiving the claim, and notify the owner and the department of the approval or disapproval by December 31 following the initial filing. (As currently allowed, the department could deny an exemption.)**

**** Currently, an exemption begins on December 31 of the year in which it is approved. Under the bill, instead, if a claim for exemption were filed by October 31 and were approved, the exemption would begin on December 31 of the year in which the facility was fully and finally completed and the property owner properly submitted a claim for exemption to the local assessor.**

**** The bill also would authorize the department to grant an exemption, effective December 31, 2011, for property that would have qualified for the exemption if an application had been timely filed in 2011. (Section 7d already contains a similar provision that allows the department to grant an exemption for 2012 and the three preceding years for property that would have qualified for the exemption if the owner had timely filed the required form in 2010.)**

The bill would take effect 90 days after being enacted.

FISCAL IMPACT:

Because there is no way to determine in advance the number of exemptions that would be claimed, the taxable values of the exempted facilities, and the corresponding millage rates, a precise fiscal estimate cannot be determined. However, even accounting for the retroactivity provision of the bill, the overall impact is likely to be small.

Local governments will generally be held harmless by reimbursements from state General Fund revenue. Any loss due to the 18-mill non-homestead levy designated for local K-12 education would require increased expenditures from the School Aid Fund, which would also be reduced by virtue of not collecting the 6-mill state education tax on the affected properties.

POSITIONS:

The following indicated support for the bill to the Tax Policy Committee on 2-10-16:

The Michigan Department of Treasury
The Michigan Municipal League
The Michigan Assessors Association
The Michigan Townships Association
Leading Age Michigan

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.