

EXTEND PRINCIPAL RESIDENCE EXEMPTION AFTER OWNER'S DEATH IN SOME CASES

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Senate Bill 831 (Substitute H-2)

Sponsor: Sen. Mike Nofs

House Committee: Tax Policy

Senate Committee: Finance

Complete to 11-3-14

SUMMARY OF SENATE BILL 831 (H-2) AS REPORTED FROM COMMITTEE 10-1-14

Senate Bill 831 would amend Section 7cc of the General Property Tax Act to allow for the Principal Residence Exemption (PRE) to remain on a home for up to two years after the owner's death if certain conditions are met. The PRE exempts a homeowner from the local school district's school operating millage, typically 18-mills. When the property ceases to be a principal residence, the owner must alert the local tax collecting unit to this change within 90 days, and the exemption then expires at the end of the calendar year. This also applies following the death of the owner and subsequent conveyance.

If the property has been conveyed to the current owner by will or intestate succession by someone related by blood or affinity to the first degree, Senate Bill 831 would allow the new owner to retain the existing PRE for up to two years if the property is for sale, and is not leased nor used for any commercial or business purposes. In order to retain the exemption the owner must also file a conditional rescission form with the local tax collecting unit, as prescribed by the Department of Treasury, as well as a property transfer affidavit, as required by section 27a(10). This PRE would be in addition to an existing PRE on the new owner's own principal residence.

MCL 211.7cc

FISCAL IMPACT:

As written, the bill could increase School Aid Fund (SAF) expenditures by an unknown amount, if local school operating revenues fall below per-pupil guarantees. The increase in SAF expenditure would depend on the reduction in local school operating revenues, which would be determined by the number of properties affected by the bill, their particular characteristics (mills assessed, taxable value, etc.), and the overall health of the housing market (which could affect the average time it takes to sell a home).

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