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BILL ANALYSIS

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Senate Bill 349 (as introduced 4-28-11)
Sponsor: Senator Dave Hildenbrand
Committee: Finance

Date Completed: 1-4-12

CONTENT

The bill would amend the General Property Tax Act to allow a property owner to file an affidavit claiming the principal residence exemption at any time after tax day in a tax year; require tax liability to be prorated if an affidavit were filed after May 1; and require taxes to be rebated if an affidavit were filed after May 1 and an exemption resulted in an overpayment.

Under the Act, a principal residence is exempt from the tax levied by a local school district for school operating purposes, which typically means that the property is taxed at the rate of six mills, rather than 24. (Nonexempt property is subject to school operating taxes, which are usually 18 mills, as well as the six-mill State Education Tax.) To claim the exemption, the property owner must file an affidavit with the local tax collecting unit by May 1. Under the bill, this deadline would apply for taxes levied before January 1, 2011.

For taxes levied after December 31, 2010, an owner would have to file an affidavit at any time after tax day (the preceding December 31) in a tax year. After December 31, 2010, if an affidavit were filed by May 1, the property would be exempt from taxes levied for school operating purposes. If an affidavit were filed after May 1, the property's liability for school operating taxes in that tax year would have to be calculated according to the following formula:

$$\text{Local school operating tax} \times \frac{\# \text{ of days from the preceding December 31}}{\# \text{ of days in the tax year}} \text{ until the date the affidavit is filed}$$

After December 31, 2010, if an affidavit were filed after May 1 and granting the exemption resulted in an overpayment of the tax, a rebate would have to be made to the taxpayer as provided in the Act.

In addition, the Act allows a cooperative housing corporation to claim a full or partial principal residence exemption for the tax year in which it files an affidavit form and other documents specified in the Act, if those items are filed with the local tax collecting unit by May 1. The bill would make the same changes as described above, regarding the filing deadline, the calculation of the exemption, and the requirement for a rebate.

MCL 211.7cc

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase school aid costs by an unknown and potentially significant amount, depending on the number of new exemption certificates filed (as a result of home sales,

new construction, changes in living arrangements, the locations of affected properties, etc.). Local school districts would experience a loss of locally raised revenue, increasing demands on the School Aid Fund in order to meet per-pupil funding guarantees. Unless additional revenue were directed to the School Aid Fund to offset the increased demands, the bill would decrease overall funds available to schools statewide.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.