

Legislative Analysis



PRINCIPAL RESIDENCE DENIAL: NO CORRECTED TAX BILL UNLESS DENIAL DUE TO OWNER ERROR

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4861 (Substitute H-1)

Sponsor: Rep. Jim Stamas

Committee: Tax Policy

Complete to 5-15-12

A SUMMARY OF HOUSE BILL 4861 AS REPORTED FROM HOUSE COMMITTEE

Under the General Property Tax Act (MCL 211.7cc), a principal residence is exempt from the 18-mill local school district operating tax. Generally speaking, a principal residence is an owner-occupied residence that is the owner's primary residence. With rare exceptions, a person can have only one residence with such an exemption. The owner of a principal residence must file an affidavit claiming the exemption. An assessor can deny a claim for an exemption in the current year and for the three immediately preceding calendar years if an exemption has been improperly granted. In that case, a corrected tax bill is issued for any additional back taxes owed with interest and penalties added.

Under House Bill 4861, the corrected or supplemental tax bill for additional taxes, interest, and penalties would be issued only if the reason for the denial of the principal residence exemption was due to an error on the part of the owner claiming the exemption. If the reason for the denial was not due to an error on the part of the owner, then the assessor would amend the tax roll to reflect the denial, but the local treasurer could not issue a corrected or supplemental tax bill, and any unpaid taxes, interest, or penalties would not be a lien on the property.

[NOTE: The House Tax Policy Committee adopted an H-1 substitute to incorporate recent changes to the section being amended that were made by Public Act 114 of 2012 (Senate Bill 349). Otherwise, the bill remains the same as when introduced.]

FISCAL IMPACT:

In cases where an improper principal residence had been granted, but the exemption was not the result of an error on the part of the property owner, the bill could result in a reduction in school taxes collected.

POSITIONS:

The Michigan Association of Realtors indicated support for the bill. (5-9-12)

The Michigan Department of Treasury indicated it is neutral on the bill. (5-9-12)

Legislative Analyst: Chris Couch

Fiscal Analyst: Jim Stansell

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