

Legislative Analysis



NONPROFIT HOUSING PROPERTY TAX EXEMPTION

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House Bill 5333

Sponsor: Rep. Dale W. Zorn

Committee: Tax Policy

Complete to 3-27-11

A SUMMARY OF HOUSE BILL 5333 AS INTRODUCED 2-10-11

The bill would make certain residential property owned by a charitable nonprofit housing organization exempt from property taxes for up to five years if the property is intended for ultimate occupancy by low-income persons. Currently, such property can be exempt, but only at the option of local units of government. Under the bill, as of December 31, 2012, local approval would not be needed.

Public Act 612 of 2006 allowed local tax collecting units to exempt certain nonprofit-owned residential property from taxation. Specifically, this exemption applies to single family dwellings or duplexes owned by charitable nonprofit housing organizations ultimately intended to be transferred to persons with a family income of not more than 80% of the statewide median gross income and who meet other qualifying criteria of the charitable organization. The exemption remains in effect for two years, until the property is occupied, or until a transfer of ownership, whichever occurs first. PA 612 was an amendment to the General Property Tax Act.

House Bill 5333 would amend the General Property Tax Act to make such property exempt from property taxes without action by local tax collecting units. Currently, a local unit can choose to exempt such property by resolution; under the bill, property meeting the eligibility criteria would simply be exempt. Also, the current exemption is for a maximum of two years. Under the bill, the maximum would be five years.

The exemption under the bill would be effective on the December 31 of the year the bill took effect or on December 31 in the year in which the housing organization acquires the eligible housing property. The duration of an exemption under the bill would be reduced by the number of years the property had been exempt under current law.

The bill also would amend the definition of "eligible nonprofit housing property" so that it would include a residential building lot, in addition to a single family dwelling or duplex. The lot would not be transferred to a low-income person, however, but, as now, only a single family dwelling or duplex constructed or renovated on the lot.

MCL 211.7kk

FISCAL IMPACT:

The bill would reduce property tax revenue at both the state and local level by an unknown amount. Because the number of properties that would qualify, the corresponding taxable values, and the appropriate local millage rates are not known, a fiscal estimate is not possible. The bill would reduce revenue to the School Aid Fund as well as local school funding. Because local funding for schools would decline, expenditures from the School Aid Fund would have to increase to maintain the foundation allowance.

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