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BILL ANALYSIS

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Senate Bill 425 (as introduced 6-12-13)
Sponsor: Senator Jack Brandenburg
Committee: Finance

Date Completed: 10-14-13

CONTENT

The bill would amend the General Property Tax Act to allow the present beneficiary of a trust to claim a principal residence exemption for property owned by the trust, if it were the beneficiary's principal residence.

Under the Act, a principal residence is exempt from the tax levied by a local school district for school operating purposes (which is typically 18 mills). To claim the exemption, the owner must file an affidavit with the local tax collecting unit by the deadline set in the Act. The taxpayer must use the property as his or her principal residence and may not claim the exemption on more than one property. The Act defines "owner" for this purpose.

The bill would include in the definition of "owner" a present beneficiary of a trust if both of the following conditions were met:

-- The property was the principal residence of the present beneficiary.
-- The present beneficiary, before claiming an exemption, filed an affidavit with the assessor of the local tax collecting unit notifying the assessor that the beneficiary was claiming a principal residence exemption for property owned by the trust.

The affidavit would have to be in a form prescribed by the Department of Treasury, and include the beneficiary's name, the address of the property, and a statement that the beneficiary had met all requirements for a principal residence exemption.

MCL 211.7dd Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase State School Aid Fund expenditures by an unknown amount. Property that qualified for the exemption as a result of the bill would no longer be obligated to pay locally levied mills for school operating purposes. (For most school districts this represents a levy of 18 mills.) Any revenue loss to the local unit would be offset by increased School Aid Fund expenditures in order to maintain per-pupil funding amounts. The actual impact would depend on the number of properties affected by the bill, as well as the specific characteristics of each property.

No data exist on the number of properties or trusts that would be affected by the bill, but in 2010 more than 64,600 Michigan trusts were required to file returns with the Internal Revenue Service. If 5% of these trusts were affected by the bill, and the average taxable value of each affected property were $100,000, exempting affected properties from the 18-

mill levy would increase School Aid Fund expenditures by approximately $6.0 million per year.

The bill also would reduce State income tax revenue to the General Fund by an unknown and likely minimal amount, by increasing the number of properties that could potentially qualify for a homestead property tax credit.

Fiscal Analyst: David Zin