

DETERMINING TRUE CASH VALUE OF CERTAIN NONPROFIT HOUSING PROPERTY

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4812 as introduced
Sponsor: Rep. Julie Alexander
Committee: Financial Services
Complete to 5-18-21

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4812 would amend the General Property Tax Act to change the method used to determine the true cash value of certain nonprofit housing property transferred from a charitable nonprofit housing organization to a low-income person.

Currently under the act, the presumptive true cash value of *eligible nonprofit housing property* transferred from a *charitable nonprofit housing organization* to a *low-income person* is the *purchase price* paid in that transfer.

Eligible nonprofit housing property means property owned by a charitable nonprofit housing organization, the ownership of which the organization intends to transfer to a low-income person after construction or renovation of the property is completed.

Charitable nonprofit housing organization means a charitable nonprofit organization whose primary purpose is the construction or renovation of residential housing for conveyance to a low-income person.

Low-income person means a person with a *family income* of not more than 60% of the *statewide median gross income* who is eligible to participate in the charitable nonprofit housing organization's program based on criteria established by the charitable nonprofit housing organization.

Family income and *statewide median gross income* mean those terms as defined in the State Housing Development Authority Act.

Purchase price means the total consideration agreed to in an arms-length transaction and not at a forced sale paid by the purchaser of the property, stated in dollars regardless of whether paid in dollars.

The bill would retain the above provisions, but would exclude both of the following from being included in the property's *purchase price*:

- Any down payment that may have been made by or on behalf of the low-income person.
- Any equity amount that may have been given by the charitable nonprofit housing organization to the low-income person.

MCL 211.27

FISCAL IMPACT:

The bill would reduce revenues for state and local governments by an unknown amount due to the potential for reduced taxable values on certain nonprofit housing property transferred to a low-income person. For the state, the provisions of the bill would reduce revenue from the six-mill state education tax. If the property was considered non-homestead, the bill would also reduce revenue from the 18-mill non-homestead levy earmarked for local schools. Local governments would realize revenue losses in an amount equal to the taxable value reduction as a result of the bill's provisions multiplied by the local unit's millage rate. Information on down payment supports and gifted equity from a charitable nonprofit housing organization that would fall under the provisions of the bill is not available.

Legislative Analyst: E. Best
Fiscal Analyst: Ben Gielczyk

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