

Legislative Analysis



DETERMINING TRUE CASH VALUE OF CERTAIN NONPROFIT HOUSING PROPERTY

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<http://www.house.mi.gov/hfa>

House Bill 4812 (H-1) as reported from committee
Sponsor: Rep. Julie Alexander
Committee: Financial Services
Complete to 6-16-21

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

(Enacted as Public Act 156 of 2022)

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. The bill also would change the definition of *low-income person* from someone with a family income of up to 60% of the statewide median gross income who meets certain eligibility criteria to someone with a family income of up to 80% of the statewide median gross income who meets those criteria.

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* after December 31, 2010, is the *purchase price* paid in that transfer. Under the bill, this provision would apply only to transfers occurring through December 30, 2021. For a transfer of eligible nonprofit housing property from a charitable nonprofit housing organization to a low-income person that occurs on or after December 31, 2021, the presumptive true cash value of the transferred property would be the loan amount stated in the closing disclosure form for the 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% [which the bill would change to 80%] 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.

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 loan-to-value ratios, or a similar measure comparing loan value to purchase price, for these property transfers is not available.

POSITIONS:

Habitat for Humanity indicated support for the bill. (5-26-21)

The following entities indicated a neutral position on the bill (5-26-21):

- Michigan Municipal League
- Michigan Township Association

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.