



Anti-poverty Advocates

January 25, 2012

Rep. Jud Gilbert, Chair
Tax Policy
Standing Committee Meeting
519 House Office Building
Lansing, MI

Re: **HB 5178 Tlaib:** Property Tax; exemptions; poverty exemption; revise filing requirements

Written Testimony for Tax Policy Committee hearing scheduled for:
Wednesday, January 25, 2012 at 10:00AM

Dear Chair Gilbert:

We are writing in support of HB 5178 which proposes amendments to the real property tax statute for taxpayers seeking poverty exemptions. The proposed change eliminates the absurd requirement that destitute taxpayers seeking poverty exemptions who do not have taxable income, nonetheless submit a filed tax return with their applications, which the IRS will not accept.

Our offices, along with the United Community Housing Coalition, annually assist hundreds of homeowners in Wayne County with poverty property tax exemption applications. As you know, for eligible low-income households, the Michigan Property Tax Statute, provides for an exemption for taxpayers who are unable to pay the property taxes by reason of poverty and who meet the threshold requirements of the statute as implemented by local Boards of Review.

The statute currently requires all applicants to submit "federal and state income tax returns for all persons residing in the principle residence, including any property tax credit returns, filed in the immediately preceding year or in the current year." For persons without incomes, the IRS electronic filing system will not even accept an attempt to file a return. A mailed return simply presents an opportunity for the wasted time of a bureaucrat at the IRS to review and discard the return. The same is true for persons without taxable incomes who are not required to filed returns by federal or state law. The filing of such returns merely clogs the system with meaningless forms.

220 Bagley, Suite 900
Detroit, MI 48226-1400

ph: 313-964-4130
fx: 313-964-1192

www.milegalservices.org



Moreover because the attempts of these applicants to file are rebuffed by the federal government, free tax preparation entities such as the Accounting Aid Society, refuse to prepare returns for these non-taxable households since there is no way to file electronically when the computer rejects the applications. As a result, many families are wrongfully denied property tax exemptions simply because they could not get help performing or themselves doing an impossible task -- filing a return without taxable income. This places the poorest among us, for whom the poverty property tax exemption was designed, at a great disadvantage because they cannot obtain exemptions to which they are entitled and as a result face an obligation to pay thousands of dollars in taxes which are not owed, resulting in the loss of their homes in foreclosure.

Currently there are 17,000 occupied homes in Detroit in tax foreclosure. The administrative hearings for the Wayne County foreclosure process are being conducted in Cobo Hall in Detroit beginning on January 25, 2012 (the date of this hearing) through February 1, 2012. Many of these families qualified for tax exemptions but were denied in recent years because they could not demonstrate that they had filed tax returns which they were not obligated to file.

The proposed resolution offered by HB 5178, simply recognizes that "Federal and state income tax returns are not required for a person residing in the principal residence if that person was not required to file a federal or state income tax return in the tax year in which the exemption under this section is claimed or in the immediately preceding tax year." It therefore reaches the common sense conclusion that "If a person was not required to file a federal or state income tax return in the tax year in which the exemption under this section is claimed or in the immediately preceding tax year, an affidavit in a form prescribed by the state tax commission may be accepted in place of the federal or state income tax return."

The filing of a simple uniform affidavit should address the problem faced by hundreds of destitute poverty exemption eligible households, which should enable them to file successful applications at their local boards of review and keep their homes.

Thank you for the opportunity to present this testimony. Should you have any further questions or concerns, please do not hesitate to contact me at the number below.

Sincerely,



Marilyn Mullane
Executive Director
Attorney