

## POVERTY EXEMPTION

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**House Bill 4828 (proposed substitute H-1)**  
**Sponsor: Rep. Wendell L. Byrd**  
**Committee: Local Government and Municipal Finance**  
**Complete to 12-2-20**

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

## SUMMARY:

Under the General Property Tax Act, owners of *principal residences* can file a claim seeking a “poverty exemption” for some or all of property taxes due. A homeowner must file a claim with the local supervisor or board of review, and the claim is to be accompanied by federal and state income tax returns for all persons residing in the principal residence, including any property tax credit returns in the current or immediately preceding year. The act also contains other criteria that must be met to receive a poverty exemption.

Generally speaking, a *principal residence* is an owner-occupied residence that is the owner’s primary residence. The term, for purposes of the poverty exemption, also includes qualified agricultural property.

**House Bill 4828** would amend the act to allow the board of review to grant the exemption to a qualified applicant for the current year and the immediately preceding year. A local tax collecting unit could allow a principal residence that was exempt in 2019 or 2020, or both, to remain exempt through calendar year 2023 without subsequent reapplication. Additionally, a principal residence that is exempt in 2019 or 2020, or both, would remain exempt through calendar year 2021 if, on or before March 1, 2021, the local tax collecting unit’s governing body adopted such a resolution.

Also, under the bill, a local tax collecting unit could allow a principal residence exempt for the first time in 2021, 2022, or 2023 to remain exempt for up to three more years without subsequent reapplication if the eligible person receives a fixed income solely from specified public assistance.

A person with such an extended exemption would have to file an affidavit rescinding the exemption as extended within 45 days if he or she ceased to qualify. If the person ceased to qualify and failed to file a rescission, he or she would be subject to repayment of any additional taxes with interest. Upon discovery that the property is no longer eligible, the assessor would have to remove the exemption, and the tax collecting unit or county treasurer, as applicable, would have to amend the tax roll and issue a corrected or supplemental tax bill, including 1% interest per month. Taxes levied in a corrected or supplemental tax bill would have to be returned as delinquent on March 1 in the immediately succeeding year.

The bill would also require a person claiming a poverty exemption to affirm the ownership and occupancy status for the property by filing the form prescribed by the State Tax Commission with the local tax collecting unit on an annual basis.

MCL 211.7u

**FISCAL IMPACT:**

As written, to the extent that a delinquent taxpayer is able to qualify for a poverty exemption in a prior year, revenue would be reduced relative to current law, although the bill would not be expected to have a significant impact on state or local revenues. Currently, the poverty exemption is estimated to reduce state and local revenue by approximately \$10.0 million per year.

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■ 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.