

Legislative Analysis



PRINCIPAL RESIDENCE EXEMPTIONS: BED & BREAKFASTS

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House Bill 6030 (Substitute H-1)
Sponsor: Rep. Howard Walker
Committee: Tax Policy

Complete to 11-28-06

A SUMMARY OF HOUSE BILL 6030 (SUBSTITUTE H-1)

The bill would amend the General Property Tax Act to specify that the principal residence exemption for property used as a bed and breakfast would be apportioned, generally speaking, based on the amount of property used (1) as a principal residence, (2) as a common area, and (3) regularly and exclusively as a bed and breakfast.

If the property is open and available regularly and exclusively as a bed and breakfast for at least 90 consecutive days, the portion used as a principal residence would be,

$$\frac{(A + B)}{C}$$

- A is the square footage of property used exclusively as the principal residence.
- B is half of the square footage of common areas.
- C is the total square footage of the property.

However, if the property is not open and available regularly and exclusively as a bed and breakfast for at least 90 consecutive days, the portion used as a principal residence would be calculated according to the following formula,

$$\frac{A + B + [(C+B) \times (\text{Days not open} \div 365)]}{D}$$

- A is the square footage of the property used exclusively as a principal residence.
- B is half of the square footage of the common areas.
- C is the square footage of the property used exclusively as a bed and breakfast.
- D is the total square footage of the property.

Common areas would include, but would not be limited to, a kitchen, dining room, living room, fitness room, porch, hallway, laundry room, bathroom, or other area used to provide a service to guests.

FISCAL IMPACT:

Because the number of taxpayers that will take advantage of this provision, the taxable values of their homesteads, and the percentages to be exempted are not known, a precise estimate is not possible.

The bill would have no direct impact on state revenues; the reduction would be entirely at the local level and would reduce funding for schools. The School Aid Fund would then have to offset this loss through the foundation allowance.

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