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BILL ANALYSIS

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Senate Bill 578 (as passed by the Senate)  
Sponsor: Senator Nancy Cassis  
Committee: Finance

Date Completed: 7-27-05

### **RATIONALE**

Under the General Property Tax Act, low-income residents are allowed a full or partial exemption from the tax levied on their principal residence if local officials find that paying the tax would cause hardship. To receive an exemption, a resident must file a claim accompanied by the Federal and State tax returns of each person living in the residence. For some of Michigan's low-income residents, however, presenting tax returns can be pose a problem because they sometimes pay no income taxes. Some people believe that the Act should allow local officials to issue property tax exemptions for principal residences where some or all of the residents are unable to present income tax returns.

### **CONTENT**

The bill would amend the General Property Tax Act to limit the requirement that residents file Federal and State income tax returns with a claim for an exemption based on poverty. Under the bill, the requirement would apply to people who were required to file Federal and State income tax returns.

Under the Act, the principal residence of individuals who, in the judgment of the supervisor and board of review, by reason of poverty, are unable to contribute toward the public charges is eligible for an exemption in whole or in part from taxation under the Act.

To be eligible for the exemption, a person must meet various requirements, which include filing a claim with the supervisor or board of review on a form provided by the local assessing unit, accompanied by Federal and State income tax returns for all people

residing in the principal residence, including any property tax credit returns, filed in the immediately preceding year or in the current year. Under the bill, the claim would have to include tax returns from all people residing in the principal residence who were required to file Federal and State income tax returns.

MCL 211.7u

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

Although the Act requires that individuals seeking a poverty-based exemption submit the State and Federal income tax returns of each member of their household to the supervisor and board of review, many boards of review evidently forego the requirement for those persons not required to file. Apparently, however, there are some townships that follow the letter of the law and will not approve a full or partial property tax exemption if the taxpayer does not provide returns of each member of the household. Reportedly, the property owners unable to provide returns usually are senior citizens who earn no income outside of their Social Security payments. They, unfortunately, are the taxpayers who most often need an exemption. The bill would allow supervisors and boards of review to grant poverty exemptions to low-income taxpayers not required to file income tax returns.

### **Opposing Argument**

The bill should require some form of sworn statement from property owners that they lack the income to pay the property tax on their primary residence. A property tax exemption can be worth thousands of dollars to a taxpayer and the State should not allow a taxpayer to claim one without explaining the reason he or she did not file. Reportedly, taxpayers sometimes lie about their income when they are claiming a property tax exemption due to poverty. To hide their income from the board of review, these taxpayers fraudulently claim that they were not required to file an income tax return. Apparently, boards of review often determine whether a taxpayer without returns has brought a legitimate claim for an exemption by asking the taxpayer how he or she was able to live without an income. It would be more difficult for boards of review to determine if taxpayers were dishonest in their contention that poverty prevented them from paying their property taxes, if the boards could no longer question whether they should have filed.

Legislative Analyst: J.P. Finet

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.