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House Bill 5437 (Substitute H-3 as passed by the House)  
House Bill 6492 (Substitute H-1 as passed by the House)  
House Bill 6493 (Substitute H-2 as passed by the House)  
Sponsor: Representative Steve Tobocman (H.B. 5437)  
Representative Joe Hune (H.B. 6492)  
Representative John Stakoe (H.B. 6493)  
House Committee: Intergovernmental, Urban and Regional Affairs  
Senate Committee: Finance

Date Completed: 12-1-08

### CONTENT

**House Bill 5437 (H-3) would amend the General Property Tax Act to exempt "supportive housing property" from the tax levied by a local school district for school operating purposes to the extent provided under the Revised School Code, if an owner of the property claimed an exemption.**

**House Bill 6492 (H-1) would amend the Revised School Code to exempt supportive housing property from the mills levied for school operating purposes, and allow the board of a school district to exempt supportive housing property from additional mills that the board is authorized to levy.**

**House Bill 6493 (H-2) would amend the State Housing Development Authority Act to do the following:**

- Require the owner of supportive housing property to file with the local assessing officer a notification of that status, which would have to be in an affidavit form as provided by the Michigan State Housing Development Authority (MSHDA).
- Require MSHDA each year to certify as supportive housing property 250 or fewer individual living units, 50% of which would have to be existing, already operating supportive housing property and 50% of which would

**have to be new projects that had never been supportive housing property.**

Under House Bill 6493 (H-2), "supportive housing property" would mean property that meets all of the following requirements:

- Is developed by an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (IRC).
- Is occupied by one or more people with incomes at or below 30% of the area median income who receive services either directly from or contracted for by an organization identified under Section 501(c)(3) of the IRC, which services include mental health, substance abuse, counseling, and assistance with daily living.
- Consists of not more than six individual living units.

All of the bills are tie-barred to each other.

### **House Bill 5437 (H-3)**

Beginning December 31, 2008, supportive housing property would be exempt from the tax levied by a local school district for school operating purposes to the extent provided under the Revised School Code, if an owner of that supportive housing property claimed an exemption as provided in the bill.

"Supportive housing property" would mean real property certified as supportive housing property Chapter 3B of the State Housing Development Authority Act (which House Bill 6493 (H-2) would add).

An owner of supportive housing property could claim an exemption by filing an affidavit on or before December 31 with the local tax collecting unit in which the supportive housing property was located. The affidavit would have to state that the property was owned and occupied as supportive housing property on the date that the affidavit was signed. The affidavit would have to be on a form prescribed by the Department of Treasury. One copy of the affidavit would have to be retained by the owner, one copy by the local tax collecting unit until any appeal or audit period under the Act had expired, and one copy would have to be forwarded to the Department.

Upon receiving an affidavit and unless the claim was denied, the assessor would have to exempt the supportive housing property from the collection of the tax levied by a local school district for school operating purposes to the extent provided under the Revised School Code, until December 31 of the year in which the property was no longer supportive housing property.

Within 90 days after exempted property was no longer supportive housing property, an owner would have to rescind the claim of exemption by filing with the local tax collecting unit a rescission form prescribed by the Department. An owner who failed to file a rescission would subject to a penalty of \$5 per day for each separate failure beginning after the 90 days had elapsed, to a maximum of \$200. This penalty would have to be collected under the revenue Act and be deposited in the State School Aid Fund. The Department could waive the penalty.

If the local assessor believed that the property for which an exemption was claimed was not supportive housing property, the assessor could deny a new or existing claim by notifying the owner and the Department in writing of the reason for the denial and advising the owner that the denial could be appealed to the State Tax Commission within 35 days after the date of the notice. The denial would have to be on a form prescribed by the Department. The

assessor could deny a claim for exemption for the current year and for the three immediately preceding calendar years.

If the assessor denied an existing claim for exemption, he or she would have to remove the exemption of the property and, if the tax roll were in the local tax collecting unit's possession, amend the tax roll to reflect the denial. Within 30 days of the date of the denial, the local treasurer would have to issue a corrected tax bill for any additional taxes with interest and penalties computed from the date the taxes were last payable without interest or penalty. If the tax roll were in the county treasurer's possession, the tax roll would have to be amended to reflect the denial. Within 30 days of the date of the denial, the county treasurer would have to prepare and submit a supplemental tax bill for any additional taxes, together with interest and penalties computed from the date the taxes were last payable without interest or penalty.

Taxes levied in a corrected or supplemental tax bill would have to be returned as delinquent on the March 1 in the year immediately following the year in which the corrected or supplemental tax bill was issued. However, if the property had been transferred to a bona fide purchaser before additional taxes were billed to the seller as a result of the denial of a claim for exemption, the taxes, interest, and penalties could not be a lien on the property and could not be billed to the bona fide purchaser, and the local tax collecting unit, if it had possession of the tax roll, or the county treasurer, if the county had possession of the tax roll, would have to notify Department of the amount of tax due, interest, and penalties through the date of that notification. The Department then would have to assess the owner who claimed the exemption for the tax, interest, and penalties accruing as a result of the denial, if any, as for unpaid taxes provided under the revenue Act, and would have to deposit any tax, penalty, and interest collected into the State School Aid Fund.

The Department would have to make available the affidavit forms and the forms to rescind an exemption, which could be on the same form, to all city and township assessors, county equalization officers, county registers of deeds, and closing agents.

### **House Bill 6492 (H-1)**

Under the Revised School Code, except as otherwise provided, the board of a school district may not levy more than 18 mills for school operating purposes or the number of mills levied in 1993 for school operating purposes, whichever is less. The Code exempts from the mills levied principal residences, qualified agricultural property, qualified forest property, and industrial personal property, except for the number of mills by which that exemption is reduced under the Code.

If the Department of Treasury determines that the maximum number of mills allowed to be levied on all classes of property was not sufficient for a school district's combined State and local revenue per membership pupil for the school fiscal year ending in 1995 to be equal to the school district's foundation allowance for that school fiscal year, the board of the school district may levy additional mills uniformly on all property up to the number of mills required for the school district's combined State and local revenue per membership pupil for the school fiscal year ending in 1995 to be equal to the school district's foundation allowance for the State fiscal year 1994-95. However, the board may elect to exempt each principal residence and all qualified agricultural property, qualified forest property, and industrial personal property located in the school district from some or all of the mills that the board is authorized to levy.

The bill would exempt supportive housing property from the mills levied for school operating purposes, and would allow the board of a school district to exempt supportive housing property from some or all of the additional mills that the board is authorized to levy.

Under the Code, if the number of mills a school district is allowed to levy in a year after 1994 is less than the number of mills the district was allowed to levy in the immediately preceding year, any reduction required in the school district's millage rate must be calculated by first reducing the number of mills the school district is allowed to levy and then increasing the number of mills from which a principal residence, qualified agricultural property, qualified forest property, and industrial property are

exempted. The bill also would refer to supportive housing property.

"Supportive housing property" would mean real property certified as supportive housing property under Chapter 3B of the State Housing Development Authority Act.

### **House Bill 6493 (H-2)**

Under the bill, the owner of supportive housing property would have to file with the local assessing officer a notification of that status, which would have to be in an affidavit form as provided by MSHDA. The completed affidavit form first would have to be submitted to MSHDA for certification, subject to the limitations provided in the bill, that the project was supportive housing property. The owner then would have to file the certified notification of the exemption with the local assessing officer before November 1 of the year before the tax year in which the exemption was to begin.

An owner of property for which certification as supportive housing property was denied, or a local unit of government in which property certified as supportive housing property was located, could appeal MSHDA's determination to the circuit court of the county in which the property was located.

In each year, MSHDA would have to certify 250 or fewer individual living units as supportive housing property. When MSHDA determined that it had certified 250 individual living units for a year, the Authority could not certify any other parcel of property as supportive housing property in that year. Each year, 50% of the living units certified as supportive housing property would have to be existing, already operating supportive housing projects and 50% of the certified living units would have to be new projects that had never been supportive housing projects. However, if the number of applications for certification for existing projects accounted for less than 50% of the number of living units that could be certified as supportive housing property for that year, MSHDA could certify new projects for the remaining number of living units for that year. The Authority would have to certify property as supportive housing property on a first-come, first-served basis.

Under the bill, "area median income" (in the proposed definition of "supportive housing property") would mean the median income for the area as determined under Section 8 of the United States Housing Act, adjusted for family size. "Income" would be an amount determined in a manner consistent with the determination of lower income families under Section 8 of the United States Housing Act. (Under that Act, the Secretary of Housing and Urban Development may provide assistance to low-income families in order to help them obtain housing and to promote economically mixed housing in certain areas.)

Proposed MCL 211.7nn (H.B. 5437)  
MCL 380.1211 (H.B. 6492)  
Proposed MCL 125.1459-125.1459b (H.B. 6493)

Legislative Analyst: Craig Laurie

### **FISCAL IMPACT**

House Bill 5437 (H-3) would reduce local unit revenue and increase School Aid Fund expenditures by a minimal amount (although the impact could be meaningfully greater due to the definition of "supportive housing property", as discussed below). The magnitude of the change would depend upon the specific characteristics of property designated as supportive housing property. Because House Bill 6493 (H-2), which is tie-barred to both House Bill 5437 (H-3) and House Bill 6492 (H-1), would limit the number of properties statewide that could be designated as supportive housing each year, the impact on any local unit would likely be minimal. For example, assuming an average taxable value for the property of approximately \$35,000 (roughly 60% of the statewide average), the bill would lower local unit revenue by approximately \$150,000 per year. School Aid Fund expenditures would increase by the same amount in order to maintain per-pupil funding guarantees. Because of the potential for House Bill 5437 (H-3) to have a cumulative impact (pursuant to House Bill 6493 (H-2)), under these assumptions the impact of the bill could rise to \$300,000 in the second year, \$450,000 in the third year, and so on.

House Bill 6492 (H-1) is essentially the same as House Bill 5437 (H-3). It would reduce local revenue by a minimal amount and increase School Aid Fund expenditures

by the same amount, by effectively providing the same exemption contained in House Bill 5437 (H-3). The impact of the bill would not be in addition to the impact of House Bill 5437 (H-3), but would be duplicative of that bill's impact.

Property affected by either bill would remain subject to local mills other than the school operating levy, as well as the State education tax.

The impact of House Bill 5437 (H-3) and/or House Bill 6492 (H-1) could be meaningfully larger due to two aspects of the definition of "supportive housing property". Under the definition in House Bill 6493 (H-2), supportive housing property would have to be "developed" by a specific organization, among the other requirements. Because the language would not require the property to be owned, but only to have been "developed" (not defined in the bill) by the specific organization, it is possible that the housing could be sold and, as long as at least one occupant in one unit met the income and assistance requirements, the property would remain eligible for the certification. Depending on how the bill's limits on the number of certifications were interpreted, this could result, over time, in a significant number of properties' being designated as supportive housing or could reduce the number of certifications that a specified organization could possess.

Furthermore, the exemption would be for the property rather than a specific unit. While the property would have to contain six or fewer individual living units, the entire property would be exempt from taxation if only one unit were occupied by a qualified person. In the case of something such as a single-family dwelling, there are no external implications. However, if a six-unit dwelling had one unit occupied by a qualified individual, the entire dwelling could be exempt from the school operating levy—including the taxes on units not occupied by a qualified individual. Because the certifications would apply only to the specific unit but the exemption would be for the entire property, the bill would potentially allow 250 properties, but as many as 1,500 units, to be exempted. As a result, the impact of the exemption could be much larger than suggested by the first example, even without any yearly cumulating in the number of certified units.

House Bill 6493 (H-2) by itself would have no effect on State or local revenue. Local unit expenditures would be affected negligibly and only to the extent that the certified notifications would be filed with the local assessing officer. The bill would limit the number of certified notifications to approvals for 250 individual living units "for that" year. It is unclear whether this limit would apply to the number of approvals issued in a year or in effect for a year. Because the bill apparently would allow an approval to last until the property was no longer used as supportive housing property, if the limit applied to the number of approvals issued in a year, then the total number of properties affected would cumulate. After the first year there could be a maximum of 250 properties certified as supportive housing, while after two years there could be a maximum of 500 units, after three years 750 units, and so on.

It is expected that the existing staff and resources of the Michigan State Housing Development Authority within the Department of Labor and Economic Growth would be sufficient to complete the certifications that would be required by the bill.

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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.