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BILL ANALYSIS



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Senate Bill 887 (as introduced 10-7-09)
Sponsor: Senator Mark C. Jansen
Committee: Finance

Date Completed: 12-3-09

CONTENT

The bill would amend the General Property Tax Act to revise provisions for the exemption of housing owned by the State, a local unit, a nonprofit entity, or a limited dividend housing corporation for elderly or disabled families. The bill would do the following:

- Delete requirements for property owners to submit annual affidavits of eligibility and for collecting officers to prepare statements for payment in lieu of taxes.**
- Rewrite provisions for calculating the amount of payments in lieu of taxes.**
- Require payments to be made by December 15 each year.**
- Require the State Treasurer to prorate the payments if insufficient funds were appropriated to make all payments in full.**
- Revise the requirement for local tax collecting units to distribute the payments.**

The bill would take effect on January 1, 2010.

The Act exempts from the tax housing owned and operated by a nonprofit corporation or association, by a limited dividend housing corporation, or by the State, a political subdivision of the State, or an instrumentality of the State, for occupancy or use solely by elderly or disabled families. The assessor of the local tax collecting unit must approve or disapprove a property owner's claim for exemption, and notify the owner of the approval or disapproval. Under the bill, the assessor also would have to notify the Department of Treasury.

Currently, if a claim for exemption is approved, the owner annually must submit to the Department and the assessor an affidavit confirming eligibility for an exemption. If an affidavit is not submitted, the exemption is revoked and the property must be assessed and taxed as provided in the Act. The bill would delete these provisions.

The Act requires the appropriate collecting officer to prepare a statement for payment in lieu of taxes, and forward it to the Department by December 1 each year, if property for which an exemption is claimed would have been subject to taxation if an exemption had not been granted. The statement must include a description of the property; the name and address of the corporation, association, or limited dividend housing corporation that owns the property; the base valuation of the property; and the total amount of payment in lieu of taxes. The payment must be calculated by multiplying the base valuation by the number of mills levied by all taxing units in the local tax collecting unit, excluding any mills that would have been levied under Section 1211 of the Revised School Code (mills levied for school operating purposes) and under the State Education Tax (SET) Act.

The bill would delete these provisions, as well as provisions for determining the base valuation of the property. (That determination depends on whether the property was exempt before January 20, 2009, which is the effective date of amendments extending the exemption to property owned by a limited dividend housing corporation. For property exempt before that date, the base valuation is the property's taxable value on the assessment roll in the 2008 tax year. For property not exempt before that date, the base valuation is the taxable value in the year in which a claim for exemption is made or, for new construction, the taxable value in the year in which construction is completed and a certificate of occupancy or similar document is issued.)

Under the bill, if property for which an exemption was claimed would have been subject to taxation if an exemption had not been granted, the State Treasurer would have to make a payment in lieu of taxes. For property exempt before January 1, 2009, the payment would have to equal the amount of taxes paid on the property before that date, excluding any mills that would have been levied under Section 1211 of the Revised School Code and the SET Act.

For property not exempt before January 1, 2009, and for new construction to property exempt before that date, the payment would have to be calculated by multiplying the taxable value of the property on the assessment roll in the year in which a claim for exemption was made or, for new construction, the taxable value of the property in the year in which the construction was completed and a certificate of occupancy or similar document was issued, excluding any mills that would have been levied under Section 1211 of the Revised School Code and the SET Act.

Currently, within 60 days after receiving statements from collecting officers, the Treasurer must forward warrants to the treasurers of the local tax collecting units. The bill, instead, would require all payments to be forwarded to the local tax collecting units by December 15 each year. The Department could require local tax collecting units to receive payments through electronic funds transfer.

If insufficient funds were appropriated to make all payments in full, the Department would have to prorate the payments made.

The Act requires local tax collecting units to distribute the amount received in the same manner and in the same proportions as general ad valorem taxes collected under the Act. The bill would refer to taxes collected under the Act excluding any distribution that would have been made under Section 1211 of the Revised School Code and the SET Act.

MCL 211.7d

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have a negligible impact on State and local finances. Eliminating the annual submission confirming eligibility for the exemption would reduce local administrative efforts negligibly but also increase the opportunities for abuse. The proration provisions would not alter the funds available to make any required payments but would provide direction to the State in instances in which the appropriation is less than the required amount.

Fiscal Analyst: David Zin

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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.