

Legislative Analysis



NONPROFIT HOUSING PROPERTY TAX EXEMPTION

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House Bill 5182

Sponsor: Rep. Dale W. Zorn

Committee: Tax Policy

Complete to 5-16-14

A SUMMARY OF HOUSE BILL 5182 AS INTRODUCED 12-10-13

The bill would make certain residential property owned by a charitable nonprofit housing organization exempt from property taxes for up to five years if the property is intended for ultimate occupancy by low-income persons as a principal residence. Currently, such property can be exempt, but only at the option of local units of government. Under the bill, as of December 31, 2013, local approval would not be needed.

Public Act 612 of 2006 allowed local tax collecting units to exempt certain residential property owned by nonprofits from taxation. Specifically, this exemption applies to single family dwellings or duplexes owned by charitable nonprofit housing organizations ultimately intended to be transferred to persons with a family income of not more than 80% of the statewide median gross income and who meet other qualifying criteria of the charitable organization. The exemption remains in effect for two years, until the property is occupied by a low-income person under a lease agreement, or until a transfer of ownership of the property, whichever occurs first. PA 612 was an amendment to the General Property Tax Act.

House Bill 5182 would amend the General Property Tax Act (MCL 211.7kk) to make such property automatically exempt from property taxes without action by local tax collecting units, as of December 31, 2013. Currently, a local unit can choose to exempt such property by resolution; under the bill, property meeting the eligibility criteria would simply be exempt. Also, the current exemption is for a maximum of two years. Under the bill, the maximum would be five years; however, the duration of an exemption under the bill would be reduced by the number of years the property had been exempt under current law. The exemption under the bill would be effective on the December 31 of the year the bill took effect or on December 31 in the year in which the housing organization acquires the eligible housing property.

The bill also would amend the definition of "eligible nonprofit housing property" so that it would include a residential building lot, in addition to a single family dwelling or duplex. The lot would be exempt from taxes but the lot could not be transferred until a single family dwelling or duplex was constructed on the site.

Note: A similar bill last session, House Bill 5333, passed the House but not the Senate. A discussion of that bill can be found on the Michigan Legislature website at:
[http://www.legislature.mi.gov/\(S\(21dwhcmjhevj5avs2dlkkzz3\)\)/mileg.aspx?page=getObject&objectName=2012-HB-5333](http://www.legislature.mi.gov/(S(21dwhcmjhevj5avs2dlkkzz3))/mileg.aspx?page=getObject&objectName=2012-HB-5333)

FISCAL IMPACT:

The bill would reduce property tax revenue at both the state and local level by an unknown amount. Because the number of properties that would qualify, the corresponding taxable values, and the appropriate local millage rates are not known, a fiscal estimate is not possible. The bill would reduce revenue to the School Aid Fund as well as local school funding. Because local funding for schools would decline, expenditures from the School Aid Fund would have to increase to maintain the foundation allowance.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.