Legislative Analysis

REINSTATE SPECIAL ASSESSMENT DEFERRAL PROGRAM

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House Bill 4079 (H-1) as adopted
Sponsor: Rep. Bill G. Schuette

House Bill 4080 (H-1) as adopted
Sponsor: Rep. Mike Hoadley

Committee: Finance
Complete to 4-14-25

SUMMARY:

House Bills 4079 and 4080 would reinstate the special assessment deferment program previously authorized under 1976 PA 225.

The program previously allowed senior citizens (and individuals who are totally or permanently disabled) to qualify for a deferment of payment of special assessments on their homestead, as long as the amount was at least $300 (exclusive of interest). For qualifying residents, the state paid the balance of special assessments owed and a lien was recorded on the property in favor of the state. The taxpayer or the estate was then required to repay the deferred amount (plus interest of 0.5% per month or fraction of a month) after any of the following:

- The sale of the homestead (or any part of it).
- The transfer of the homestead to another person.
- A contract to sell the homestead being entered into.
- Within one year after the owner's death.[1]

In order to qualify, a resident needed to meet all of the following:

- Have been a resident of Michigan, and have owned and occupied the homestead, for at least five years.
- Be a United States citizen.
- Have a total household income below a certain threshold.
- Have a written letter from a mortgage lender or land contract vendor (if applicable) consenting to the deferment of special assessments.[2]

Public Act 331 of 2020 eliminated the program for special assessments assessed on or after October 1, 2020.[3]

<u>House Bill 4080</u> would amend 1976 PA 225 to reinstate the special assessment deferment program for senior citizens and totally or permanently disabled residents for special assessments assessed on or after the bill's effective date.

The bill would also add assessments for dam construction or reconstruction to the bill's definition of *special assessment*.

[1] http://www.michiganpropertytax.com/defermentformspecialassessments.pdf
[2] https://www.michigan.gov/taxes/-/media/Project/Websites/treasury/Assessors/DeferredSpecialAssessments.pdf
[3] https://www.legislature.mi.gov/documents/2019-2020/billanalysis/House/pdf/2019-HLA-1053-B261F6DD.pdf

Finally, the bill would modify the terms under which the death of a spouse would not terminate a deferment under the bill. Previously, a deferment would not terminate upon the death of a spouse for a homestead owned by a married couple as long as the surviving spouse did not remarry. Under the bill, the deferment would not terminate as long as the homestead was jointly owned (removing the requirement to not remarry).

MCL 211.761 et seq.

House Bill 4079 would amend 1976 PA 225 to increase the income cap for senior citizens to be eligible for the deferment of special assessments and eliminate the interest rate for the deferred amount under the act.

As noted above, the amount was previously adjusted annually for inflation. When last in effect for 2019, the income cap was $24,305.

The bill would set the cap for the first calendar year after its effective date at $34,900. This amount would be adjusted for inflation by the state treasurer at the end of each calendar year based on the change in the consumer price index for the Detroit-Warren-Dearborn area.

In addition, the bill would provide that the 0.5% per month interest rate previously prescribed by the program would not apply to amounts deferred on or after the bill's effective date.

Finally, the bill would add that a consent letter from a mortgage lender or land contract vendor (described above) would have to specify that the consenting party understands that its interest in the homestead would be subordinate to the state's lien on the property.

MCL 211.763 et seq.

Neither bill can take effect unless both are enacted.

FISCAL IMPACT:

The bills would not have any direct state or local fiscal impact in the longer term. The Department of Treasury reimburses local units for assessments, and then is repaid by the locals when the special assessment is remitted by the taxpayer. To the extent that taxpayers make partial payments, the timing of collections might change, but the net amount due would remain the same.

In the short term, the special revolving fund supporting payments to local units of government under the Deferment of Special Assessments on Homesteads Act would be required to make payments totaling approximately $100,000 annually because no repayments are expected through at least FY 2027-28. The current balance of the fund is approximately $3.1 million, which can absorb the costs in the near term. In the longer term, repayments should offset the disbursements from the fund.

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