Legislative Analysis

RESIDENTIAL DEVELOPMENT PROPERTY

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House Bill 5538
Sponsor: Rep. Joe Hune
Committee: Tax Policy

Complete to 5-4-04

A SUMMARY OF HOUSE BILL 5538 AS INTRODUCED 2-12-04

The bill would amend the General Property Tax Act to exempt residential development property from local school operating taxes in the same manner that principal residences - formerly known as homesteads - are exempt from the same taxes. It also would exempt the transfer of residential development property from the requirement that the taxable value of real property be based on state equalized valuation (SEV) when sold or otherwise transferred. (This means the assessment cap would remain in place when residential development property is sold.)

The bill would define "residential development property" to mean real property that (1) is classified as residential real property; (2) has, after the bill's effective date, a final plat for the property recorded pursuant to the Land Division Act or has a condominium subdivision plan completed and a master deed for all or a portion of the property recorded pursuant to the Condominium Act; and (3) does not have located on it, a residential dwelling or condominium unit that is occupied or that has ever been occupied. Residential property could include property with a partially completed residential dwelling, a partially completed condominium unit, or a fully completed residential dwelling or condominium unit that has never been occupied. The term would not include a residential dwelling or condominium unit used for commercial purposes or as an office, showroom, or model.

MCL 211.27a

FISCAL IMPACT:

House Bill 5538 would reduce property tax revenues by an indeterminate amount. Because the amount of residential development property that would potentially qualify for the 18 mill exemption is not known, it is not possible to determine the exact fiscal impact. However, for each $1 million of taxable value of residential development property that does qualify, property tax revenues would decrease by $18,000.

The 18 mills that is currently levied is dedicated to the local school district's operating expenses. Thus, the full impact of the exemption would be to reduce local school operating expenses. Because the School Aid Fund (SAF) makes up the difference between the $6,700 per student foundation allowance and the amount of revenue that a school district receives from the 18 mill levy, HB5538 could constrain the ability of the SAF to meet the $6,700 per student target.

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