

Legislative Analysis



PRORATE PRINCIPAL RESIDENCE EXEMPTION

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House Bill 4446

Sponsor: Rep. Margaret O'Brien

Committee: Tax Policy

Complete to 10-25-11

A SUMMARY OF HOUSE BILL 4446 AS INTRODUCED 3-16-11

Generally speaking, owner-occupied residential property is exempt from local school operating taxes. This is known as the principal residence exemption, and typically a homeowner is only entitled to one such exemption. To claim the exemption, an owner must file an affidavit on or before May 1 with the local tax collecting unit where the property is located. House Bill 4446 would allow homeowners, beginning in 2012, to file the affidavit after May 1 and receive a prorated exemption based on the date the affidavit was filed.

Principal residences pay the 6-mill State Education Tax but are exempt from the 18-mill local school operating levy. Non-exempt property (business property and second homes, for example) pay the full 24-mills.

Under the bill, if an affidavit is filed by May 1, the exemption would be for the total amount of taxes levied by a local school district. If an affidavit is filed after May 1, the exemption would be for a portion of taxes levied. The formula for determining the prorated exemption would be: the number of days remaining in the year from the date the affidavit is filed divided by the total number of days in that tax year.

FISCAL IMPACT:

Although the overall fiscal impact cannot be determined because the degrees of proration, the taxable values of the affected properties, and the number of affidavits that will be filed are not known, the bill would reduce property tax revenues earmarked for local schools by allowing partial principal residence exemptions against the 18-mill school operating levy paid by non-exempt properties.

To the extent that local school revenues decline, the burden of making up the difference falls on the School Aid Fund (SAF), which will increase state expenditures and/or reduce funding to all schools statewide.

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