



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 886 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Jud Gilbert, II
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to allow property that qualified as a principal residence to continue to qualify as a principal residence for three years after all or any portion of the dwelling or unit included in or constituting the principal residence was rented or leased to another person as a residence, if the owner of the dwelling or unit were absent while on active duty in the Armed Forces of the United States and the dwelling or unit otherwise would qualify as the owner's principal residence. The owner would have to file an affidavit with the assessor of the local tax collecting unit by May 1 (or, for 2008 only, by December 31) attesting that it was his or her intent to occupy the dwelling or unit as a principal residence upon completion of active duty in the Armed Forces. A copy of the affidavit would have to be forwarded to the Department of Treasury pursuant to a schedule prescribed by the Department.

MCL 211.7dd

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would alter the distribution between local school operating revenue to schools and School Aid Fund payments to those schools by an unknown and likely minimal amount. The bill also could have a secondary impact on homestead property tax refunds of an unknown and likely minimal amount. The number of properties used as a principal residence by a member of the Armed Forces who is absent on active duty is unknown, as is the number of these properties that are being rented or leased.

Under current law, the owner of property not subject to the principal residence exemption is required to pay a levy, usually 18 mills, for school operating purposes. School Aid Fund expenditures make up the difference between locally generated school operating revenue and guaranteed per-pupil funding levels. As a result, as local property owners pay greater amounts for school operating purposes, the State is required to pay less to the school district to meet the funding guarantees.

Both renters and homeowners, with certain income restrictions, are eligible to claim a credit for a portion of property taxes that are paid and that exceed a specified percentage of household income. Landlords are not able to claim the credit on rental properties. As a result, the bill would change the distribution of some property tax credits under the individual income tax and also could alter affected taxpayers' eligibility for the credits.

Date Completed: 6-11-08

Fiscal Analyst: David Zin

floor\sb886

Analysis available @ <http://www.michiganlegislature.org>

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.