Legislative Analysis

POVERTY EXEMPTION AUTOMATIC CONTINUATION

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House Bill 4041 as introduced
Sponsor: Rep. Tyrone Carter
Committee: Finance
Complete to 10-20-25

SUMMARY:

House Bill 4041 would amend the General Property Tax Act to authorize a local tax assessing unit to adopt a resolution to allow properties that qualified for a poverty exemption in a tax year to remain exempt in subsequent tax years, without a need to reapply, as long as both of the following are met:

- There has not been a change in the ownership or occupancy status of the person eligible for the exemption.
- The person eligible for the exemption receives a fixed income solely from public assistance that is not subject to significant annual increases beyond the rate of inflation (for example, federal Supplemental Security Income or Social Security disability or retirement benefits).

The act allows a local supervisor and board of review to grant a poverty exemption from property taxes to a qualifying owner of a *principal residence*.[1] The board of review can grant a full 100% exemption; a partial exemption of 75%, 50%, or 25%; or, if approved by the State Tax Commission, an exemption of any other percentage. To be eligible for an exemption, in addition to meeting other requirements specified in the act, a person must file an application with supporting documentation every year.[2] The bill would authorize a local assessing unit to allow a principal residence granted a poverty exemption to remain exempt in subsequent tax years without reapplication if the conditions described above are met.

MCL 211.7u

FISCAL IMPACT:

The bill is permissive in nature, authorizing a local assessing unit to permit a principal residence exempt from property taxes as a result of the poverty exemption to remain exempt as long as there has been no change in ownership or occupancy status if the person receives a fixed income solely from public assistance. Since it is permissive, the bill would have no direct fiscal impact on state or local revenue. A local assessing unit that elects to forgo reapplication may realize reduced administrative costs associated with processing the poverty exemption. To

[1] Generally speaking, a *principal residence* is defined under the act as a residence that is occupied by the owner as their primary residence. For purposes of the poverty exemption, *qualified agricultural property* can also be considered a principal residence. *Qualified agricultural property* is defined as including a residence occupied by a person involved in the agricultural use of the property who has not claimed a principal residence exemption on other property. For the specific definitions of these terms, see: https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-211-7DD

[2] These reapplication provisions were amended in 2023 to authorize a local assessing unit to allow a principal residence that was exempt in tax year 2019 or 2020 to remain exempt in tax years 2021, 2022, and 2023 without annual reapplication as long as the above conditions were met.

the extent that it is easier to qualify for the exemption in any given year in a local assessing unit that elects to forgo reapplication of the poverty exemption as permitted under the bill, that may reduce revenue compared to current law. Any revenue impact is not expected to be significant.

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