

MICHIGAN REALTOR

VOL. 40 — NO. 4

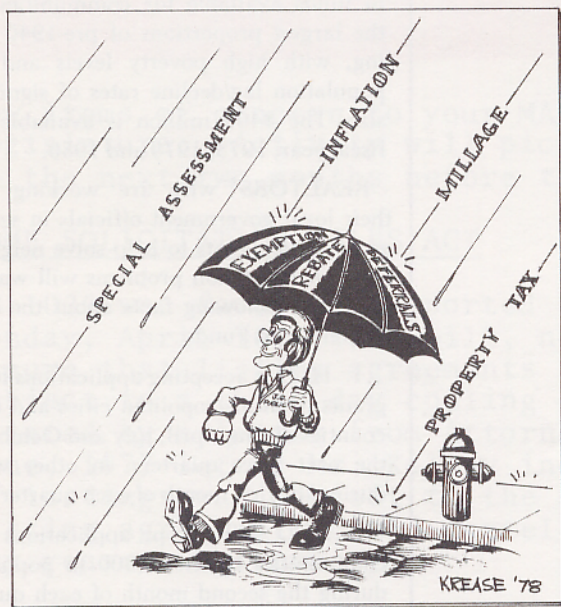
THE BULLETIN OF THE MICHIGAN ASSOCIATION OF REALTORS®

APRIL, 1978



A Guide To Michigan Real Estate Tax Breaks

By JOSEPH M. TURNER



Michigan's tax relief package has evolved into an umbrella of tax rebates exemptions and deferrals.

Contrary to popular belief, a number of recent changes in the structure of the property tax laws have enabled the elected officials and lawmakers of our state to create a system of tax relief which aids not only the senior citizen, the blind, or the disabled; but provides benefits to average, middle-class property owners. Available now are exemptions for home-owners who fix-up and repair their homes, exemptions and deferrals of taxes for farmers located in developing areas, and rebates on residential property taxes of up to \$1200 per year.

This new legislation has created another situation from which knowledgeable REALTORS® and REALTOR® - ASSOCIATES can use facts that are poorly understood by others to stay one step ahead of competition.

While forms of relief from the property tax burden have been with us (usually in the form of exemptions) since the passage by the territorial legislature of the first Michigan property tax act in 1817, the impact of it's burden on taxpayers and it's importance as a source of revenue have vacillated over the years. The present relief package was developed in response to the dramatic changes which have occurred in real property taxation over the last two decades.

For example, in 1956, when the property tax was a much lower burden on the taxpayers than it is today, the tax was perceived as a declining source of revenue whose heyday had passed. So certain did it's decline seem, that a spokesman for The National Tax Association confidently predicted that "by 1976 the property tax will have become an all but forgotten relic of an earlier fiscal age."¹

Needless to say, the following years were the gestation period for the development of contemporary economic pressures. Pressures which were manifested by the interaction of rapidly inflating property values, increasing operating costs within taxing units, changes in the administration of property tax laws requiring higher levels of assessment, changes in school aid formulas mandating higher local school rates, the increased training and technology available to assessing personnel, and the creation of new taxing units such as the community college. Each of these contributed to skyrocketing taxes and the metamorphosis of the tax burden from a merely irritating fact of life, to a true hardship imposed upon middle-class America as well as on it's poor and aged.

In Michigan, property tax relief efforts were decimated. Consider that in the mid-1960's the state's tax relief statutes were liberalized so that they seemed to provide ample relief and were accepted by the public. By 1972, these same relief efforts had become so archaic that many needy persons were denied aid because of household income limitations which had become ridiculously low. Those persons who did qualify for aid were generally receiving less than \$150 per year in exemptions, and at best little more than \$250 per year.

Other problems existing under the old Homestead Act were exacerbated by the changing economic climate, and critics were quick to cite a litany of transgressions such as: persons with limited incomes were often forced to withdraw money from their life savings in order to make the large lump sum payments required by annual taxes; conscientious homeowners who kept their homes looking nice were forced to pay higher taxes than their neighbors who let their houses run down; special assessment taxes were pyramided on top of existing taxes; and farmers were continually pressed by rising taxes based on sales of farmlands bloated by inflation and frequently purchased for non-farm uses. The property tax was generally blamed for bankrupting the middle-class, stealing homes from the poor, encouraging the flight of business and industry, and favoring the wealthy.

One study of property tax relief efforts across the nation was performed by a U.S. Advisory Commission in 1973, and concluded in part that "property tax relief is something of an illusion, because it requires either a reduction in public services or a shift to other forms of taxation."²

Recognizing this truth, enraged citizens rose up to fight the system. Millages were turned down at the polls. Taxpayer groups were formed. Petitions and referendums were initiated. Persons who had never thought of themselves as dissidents or "aginnners" became political activists demanding relief.

Responding by shedding those portions of Michigan's 1893

1 Arlo Woolery, "THE FUTURE OF THE PROPERTY TAX IN THE UNITED STATES," International Assessor, Vol. 42 No. 11, (Nov. 1976) Pg. 16, IAAO, Inc., 1313 East 60th St., Chicago, Ill. 60637

2 Texas Research League, "PROPERTY TAX RELIEF: THE ILLUSION AND THE REALITY," International Assessor, Vol. 43 No. 5, (May 1977) Pg. 12, IAAO, Inc., 1313 East 60th St., Chicago, ILL. 60637

General Property Tax Act that were useless (retaining only the poverty and disabled vets exemption) the state's lawmakers began the long process of hammering out a new relief package. By mid 1973, they had passed the cornerstone of this new package, "The Income and Property Tax Relief Act." Known as a circuit breaker law, it provides a **tax refund to anyone who pays property taxes in excess of 3½ % of their "household income."** Senior citizens, disabled veterans, and other special categories of taxpayers have lower percentages at which the circuit breaker proviso kicks in with a rebate.

In the years since then other laws were passed which, one by one, attacked specific hardships remaining under the property tax laws. Evolving into a three faceted umbrella of rebates, deferrals, and exemptions, the package has so successfully overcome some of these problems that a 1977 Governor's Task Force study described it as "one of the most comprehensive in the country providing greater benefits to more taxpayers than any other similar program."³

The following is a summary of parts of the general property tax laws which comprise the bulk of this program. Among other things familiarity with these laws will enable you to notify your clients of special benefits for which they may be qualified; such as the purchaser of a "handyman special" who may be eligible for a tax exemption on necessary repairs; or the farmer who can enter into agreements with the state which will defer special assessment payments for the life of the agreement and reduce future property tax increases; or when certain types of heating and cooling systems are tax exempt; etc. While not everyone of your clients will benefit from these laws they may provide just that edge that you need to secure a listing or complete a transaction.

Most of these acts are new and some of them are being administered for the first time. Consequently they may be subject to varying local interpretations until areas of controversy are clearly defined through appellate procedures. Especially controversial is the Mathieu-Gast Home Improvement Act which provides tax exempt status for certain home repairs. Difficulties in administering this law and controversy about it have already led to an Attorney-General's opinion.

Time elements are another important consideration and should be noted. March is essentially the only time for appeals to the local Board of Review to correct and adjust assessments and to initiate some of these benefits. You must appeal to the local Board of Review before being heard by the Michigan Tax Tribunal. Both the application times and the necessary person or agency to contact for further information are noted in the following summary.

Copies of specific acts should be available through your elected representatives and are published in their entirety as they are created (along with court and Michigan Tribunal decisions) in the Michigan Assessor, a monthly publication put out by the Michigan Assessor's Association, Inc. and available for \$25 per year.*

3 The Governor's Advisory Task Force on Property Tax Revision, Michigan Assessor, Vol. 18 No. 1 (Feb. 1977) Pg. 4, Michigan Assessor's Association, Inc., 1045 Independence Blvd., Charlotte, Mi. 48813

*Mr. E. E. Beren
26000 Evergreen Rd.
Southfield, Mi. 48076

EXEMPTIONS:

Section 211.7a MCL

Public Act 206 of 1893 as amended

Provides: Whole or partial exemption of property taxes for "persons, who in the opinion of the supervisor and board of review, by reason of poverty, are unable to contribute toward the public charges."

Application: Local Board of Review

Time: March of each year

Section 211.7b MCL

Provides: "All Real Estate used and owned as a homestead by a soldier or sailor who was discharged under honorable conditions with a service connected disability"... who is receiving or has received pecuniary assistance due to disability for specially adapted housing, shall be exempt from taxation. The county treasurer is authorized to cancel taxes for any year in which such a soldier or sailor shall have acquired title to real estate exempt hereunder."

Application: Local Assessing Officer and Treasurer

Time: Apply as soon as home is acquired.

Public Act 135 of 1976

Provides: Complete exemption from taxes on that part of the home qualifying as a solar, wind, or water energy conversion device.

Application: Township or City Assessor

Time: Apply prior to December 31.

Public Act 293 of 1976 Mathieu-Gast Act, as amended

Provides: Tax exemption for residential property only on normal maintenance, repairs, and replacements if they are not part of a structural addition or completion. Exemptions continue until the property is sold. Normal maintenance includes the following:

- a) Outside painting
- b) Repairing or replacing siding, roof, porches, steps, drives.
- c) Repairing, repainting or replacing existing masonry.
- d) Replacement of awnings.
- e) Add or replace gutters or downspouts.
- f) Replace storm windows or doors.
- g) Insulation or weatherstripping
- h) Complete rewiring.
- i) Replacing light fixtures or plumbing.
- j) New furnace replacing one of the same type or replacing oil or gas burner.
- k) Plaster repairs, inside painting, or other re-decorating.
- l) New Ceiling, wall, or floor surfacing.
- m) Removing partitions to enlarge rooms.
- n) Replace automatic hot water heater.
- o) Replacing dated interior woodwork.

Application: Township or City Assessor

Time: Prior to December 31.

REBATES:

Public Act 20 of 1973 (Circuit Breaker Law)

Provides: Tax rebates of up to \$1,200 for either homeowners or renters, if property tax or its rental equivalent

(Continued on Page 8)

(TAX BREAKS — CONTINUED)

exceeds from 0 to 3½% of household income for typical employed homeowner and qualified senior citizens, their surviving spouse, veterans with service connected disabilities, veteran (or his widow) of wars before W. W. I., pensioned veteran or his widow, widow of a non-disabled non-pensioned veteran, widow of a serviceman deceased in service, active serviceman or his widow, paraplegic-quadruplegic or disabled person, and blind persons. The law has income limitations for specific applicants.

Application: Any Michigan Department of Treasury Office.

Time: Filed with or at income tax time. Forms are available in December of each year.

DEFERRALS:**Public Act 116 of 1974** (Farmland and Open Space Preservation Act)

Provides: For a development right agreement which prohibits changes in the use of the land while providing exemption from tax increases predicated on the unrestricted development of the land. In other words, during the life of the agreement farms located in commercially developing areas will be assessed as farms and not commercial property. This act also defers special assessments and provides for a rebate of property taxes paid in excess of 7% of the owner's income. A penalty is provided for early withdrawal from the agreement, with the minimum term being 10 years.

Application: Local Governing Body (City, Township or Village)

Time: The application period is the entire calendar year. However, eligibility for the various benefits of the act requires that the agreement or easement be executed and registered in the year for which the landowner claims the benefits."

Public Act 168 of 1975

Provides: For the deferment of summer taxes for persons having a household income of \$10,000 or less, and

who are "a paraplegic, quadruplegic, senior citizen, eligible serviceman, eligible veteran, eligible widow, or blind person." The advantage of this deferment is that it gives the applicant time at the end of the year to file for a tax rebate, and in most instances, to receive the rebate check prior to the February 15th tax payment deadline. The check can then be applied to the outstanding tax bill thereby reducing or eliminating the necessity of persons on limited incomes to withdraw monies from their savings accounts. This act is only applicable where summer taxes are levied.

Application: City, Township, or Village Treasurer

Time: Between June 1 and September 15 or tax levy date, whichever is later.

Public Act 225 of 1976 (Superceded by Act 437 of 1976)

Provides: For the deferment of special assessments on homesteads properties for owners who have attained 65 years of age, whose annual income combined with their spouses income does not exceed \$6,000, who reside in the state, who have been the sole owner owner of the property for five or more years, who are citizens of the United States of America, and whose special assessment gross amount is not less than \$300. Payment of the special assessment is to be made from the applicants estate.

Application: City, Village or Township Assessor

Time: "Shall be filed at least 30 days after the due date of a special assessment or installment of a special assessment for which deferment is requested."

About The Author

Joseph M. Turner is a REALTOR® - ASSOCIATE with the Babcock Real Estate firm in Saginaw, Michigan. He has been a staff member of the City of Saginaw, Assessor's office since 1972 and is certified by the State of Michigan Assessor's Board at level III. He obtained his B.A. degree from Saginaw Valley State College.