Principal Residence Exemption Review

Michigan Department of Treasury
Property Services Division

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The Basics

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What is a Principal Residence Exemption (PRE)?

In accordance with MCL 211.7cc, a PRE exempts a principal residence from the tax levied by a local school district for operating purposes, up to 18 mills.

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What is a Principal Residence?

- The one place where an owner of property has his or her true, fixed, permanent home to which, whenever absent, he or she intends to return.
- Includes the owner's <u>unoccupied</u> property classified as "residential," or "timber-cutover" (2008 forward) that is "adjoining or contiguous" to the dwelling owned and occupied by the owner.

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Qualifications for Claiming PRE on Residence

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Who is Eligible for a PRE on a Home/Dwelling?

- A <u>person</u> must be an <u>owner</u> as described in MCL 211.7dd(a).
- A <u>person</u> must <u>occupy</u> the property as a principal residence.
- None of the disqualifying or limiting factors stated in MCL 211.7cc(3) apply.

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Disqualifying Factors *(MCL 211.7cc(3))*

Regardless if owned and occupied, not eligible for PRE if:

- The person claims a substantially similar exemption in another state which has not been rescinded.
- A person or his or her spouse owns property in another state for which that person or his or her spouse claims a substantially similar exemption, unless that person and his or her spouse file separate income tax returns.

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Disqualifying Factors *(MCL 211.7cc(3)) (Cont.)*

- A person files a non-resident Michigan income tax return (active military personnel with his or her principal residence in this state excluded).
- The person files an income tax return as a resident of another state (active military personnel excluded).

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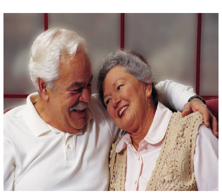
Disqualifying Factor



A husband and wife who are required to file, or who do file a joint Michigan income tax return, are entitled to not more than one exemption. *(MCL 211.7cc(3))*

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How Does a Person Claim a PRE?

- File a ***Principal Residence Exemption Affidavit,*** Form 2368, with the local assessor. (Assessor retains copy)
- The affidavit is a sworn statement attesting that he or she owns and occupies the property as his or her principal residence and none of the disqualifying or limiting factors in MCL 211.7cc(3) apply.

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Filing An Affidavit With Local Assessor

At the time of filing a PRE Affidavit, the Assessor should:

- Check the PRE Affidavit to ensure it is complete. Completion of the Affidavit constitutes a claim for a PRE and failure to complete an Affidavit (including the refusal to provide a social security number) would be cause to deny the PRE claim. If the Affidavit is not complete, advise the taxpayer to complete the PRE Affidavit in its entirety.
- Request evidence that the taxpayer owns & occupies the property as his or her principal residence. The taxpayer has the burden to prove his or her eligibility for the tax exemption. As part of an assessor's due diligence in reviewing the claim, they should request ownership and occupancy information from the taxpayer.

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Filing An Affidavit With Local Assessor *(Cont.)*

- If taxpayer does not provide adequate information when requested, the Assessor should accept the filing and proceed with a review.
- Upon thorough review, if the Assessor determines that the form is incomplete or the taxpayer does not qualify for the exemption, the Assessor should issue a denial notice to the taxpayer that includes appeal rights afforded to the taxpayer.

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Deadline & Duration of PRE Claim

- For taxes levied prior to January 1, 2012, a valid ***Principal Residence Exemption Affidavit***, Form 2368, filed on or before May 1 of the year the PRE is being claimed, will reduce that year's taxes and any future years taxes for as long as the taxpayer meets the qualifications for a principal residence exemption. *(MCL 2.117cc(2))*
- Beginning in 2012, a valid Form 2368 filed on or before June 1 of the year the PRE is being claimed will reduce that year's taxes beginning with the summer tax levy, and any future year's taxes for as long as the taxpayer meets the qualifications for a PRE.
- Beginning in 2012, a valid Form 2368 filed at any time from June 2 through November 1 will reduce that year's taxes beginning with the winter tax levy, and any future year's taxes for as long as the taxpayer meets the qualifications for a PRE.

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May 1 Deadline

The May 1st deadline remains for the following:

- Initial claim for an "Owner's" Conditional Rescission *(MCL 211.7cc(5))*
- Filing of a ***PRE Active Duty Military Affidavit***, Form 4660 *(MCL 211.7dd(c)(iii)*
- Bed and Breakfast *(MCL 211.7cc(29))*
- Cooperative Housing Corporations *(MCL 211.7cc(26)*

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Ownership Requirement

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Who is an "Owner" for PRE Purposes? *(MCL 211.7dd(a))*

Not all owners of property are eligible for a PRE. Only owners defined in MCL 211.7dd(a) are eligible.

- A person who owns property or who is purchasing property under a land contract.
- A person who is a partial owner of property.
- A person who owns property as a result of being the beneficiary of a will, trust or intestate succession.
- A person who owns or is purchasing a dwelling on leased land.

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Who is an "Owner" for PRE Purposes? *(MCL 211.7dd(a)) (Cont.)*

- A person holding a life lease in property previously sold or transferred to another.
- A grantor who has placed property in a ***revocable trust*** or a ***qualified personal residence trust***.
- The sole present beneficiary of a trust, if the trust purchased or acquired the property for a beneficiary who is totally and permanently disabled.
- A cooperative housing corporation.
- A facility registered under the Living Care Disclosure Act.

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Ownership Factors

- Only a person can qualify for a Principal Residence Exemption.
- A "person" is defined to mean an "individual." *(MCL 211.7dd(b))* Property owned by limited liability companies, partnerships, corporations, associations or other legal entities are not "owners" who qualify for the Principal Residence Exemption.
- A deed or land contract does not need to be notarized or recorded to give ownership to the property.
- Even if a person owns a 1% interest in the property, they are an owner entitled to a 100% PRE if he or she occupies the property as a principal residence.
- Life estate does not have to be a previous owner of the property to qualify.
- A life lease holder must be a previous owner.

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Trust Factors

- For PRE purposes, a trust is not an owner that is eligible for a PRE.
- A GRANTOR or BENEFICIARY of a trust may qualify as an owner under certain circumstances.
- Grantor <u>IS</u> considered an owner in a “revocable trust.”
- Grantor is <u>NOT</u> considered an owner if the trust is an irrevocable trust that is not a qualified personal residence trust.
- A beneficiary of a will or trust is considered an owner of the property UPON THE DEATH OF THE GRANTOR.
- A beneficiary of a trust is considered an owner if the trust purchased or acquired the property as a principal residence for the sole present beneficiary of the trust, and the sole present beneficiary of the trust is totally and permanently disabled. “Totally and permanently disabled" means disability as defined in section 216 of title II of the social security act.

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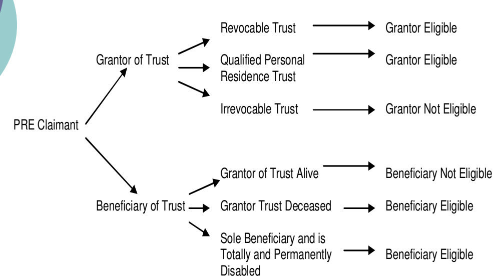
Trust Analysis



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Verification of Ownership

Must be in writing to satisfy the Statute of Frauds. Generally accepted documents include:

- Warranty Deed
- Quit Claim Deed
- Land Contract *(memorandum alone, not acceptable)*
- Life Estate *(either stated on deed or separate written agreement)*
- Life Lease *(either stated on deed or separate written agreement/ holder of the life lease must be the prior owner)*
- Full Copy of a Will or Trust *(Certificate of Trust alone, not acceptable).*
- For PRE purposes, a notarized or recorded document helps ensure that the ownership interest was timely created and not predated following an audit of a person’s PRE. However, by law, the ownership document does not need to be notarized or recorded to give the vendee equitable title to the property.

<u>**Ultimately, the taxpayer has the burden to prove his or her eligibility for the tax exemption.**</u>

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Ownership Quiz – Question #1

A property is owned by Buick, Inc., a Michigan Limited Liability Company (LLC). Dave is the sole proprietor of the LLC and occupies the property.

Is Dave eligible for the Principal Residence Exemption?

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Ownership Quiz – Answer #1

A property is owned by Buick, Inc., a Michigan Limited Liability Company (LLC). Dave is the sole proprietor of the LLC and occupies the property.

Is Dave eligible for the Principal Residence Exemption?

Answer: Dave is not eligible for the PRE since he is not the owner of the property. In addition, an LLC is not an owner that qualifies for a PRE.

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Ownership Quiz – Question #2

Chris, Tom, Joe, and Charlie each own a 25% interest in a property. Only Chris occupies the property.

Is Chris, Tom, Joe or Charlie eligible for the PRE and, if so, for what percentage?

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Ownership Quiz – Answer #2

Chris, Tom, Joe, and Charlie each own a 25% interest in a property. Only Chris occupies the property.

Is Chris, Tom, Joe or Charlie eligible for the PRE and, if so, for what percentage?

Answer: Tom, Joe and Charlie are not eligible for the PRE because they do not occupy the property as their principal residence. Chris is eligible for a 100% PRE since he is an owner that can claim the PRE and he occupies the property as his principal residence.

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Ownership Quiz – Question #3

A property is owned by Buick Living Trust, which is a revocable trust. Dave is the grantor of the Trust and occupies the property.

Is Dave eligible for the PRE?

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Ownership Quiz – Answer #3

A property is owned by Buick Living Trust, which is a revocable trust. Dave is the grantor of the Trust and occupies the property.

Is Dave eligible for the PRE?

Answer: Dave is eligible for the PRE because a grantor of a <u>revocable</u> trust is an owner that can claim the PRE and Dave occupies the property as his principal residence.

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Ownership Quiz – Question #4

A property is owned by the Buick Living Trust, a revocable Trust. Dave is the grantor of the Trust, is alive, but does not occupy the property. Beverly is named as a beneficiary of the trust and occupies the property. Beverly is not disabled.

Is Dave or Beverly eligible for the PRE?

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Ownership Quiz – Answer #4

A property is owned by the Buick Living Trust, a revocable Trust. Dave is the grantor of the Trust, is still alive, but does not occupy the property. Beverly is named as a beneficiary of the trust and occupies the property. Beverly is not disabled.

Is Dave or Beverly eligible for the PRE?

Answer: Dave is not eligible for the PRE because he does not occupy the property as his principal residence. Beverly is not eligible for the PRE since she is not considered an owner that can claim the PRE. Beverly would only be considered an owner for PRE purposes upon the death of Dave, the grantor of the Trust.

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Ownership Quiz – Question #5

A property is purchased by the Buick Living Trust, an irrevocable trust. Dave is the grantor of the trust, but does not occupy the property. Beverly is the sole beneficiary of the Trust. Beverly is totally and permanently disabled and occupies the property. The Trust purchased the property as a residence for Beverly.

Is Dave or Beverly eligible for the PRE?

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Ownership Quiz – Answer #5

A property is purchased by the Buick Living Trust, an irrevocable trust. Dave is the grantor of the trust, but does not occupy the property. Beverly is the sole beneficiary of the Trust. Beverly is totally and permanently disabled and occupies the property. The Trust purchased the property as a residence for Beverly.

Is Dave or Beverly eligible for the PRE?

Answer: Dave is not eligible for the PRE because a grantor of an irrevocable trust is not an owner that can claim the PRE. Beverly is eligible for the PRE since a sole beneficiary of a trust who is totally and permanently disabled is an owner that can claim the PRE and she occupies the property as her principal residence.

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Ownership Quiz – Question #6

A property is owned by the Buick Living Trust, an irrevocable qualified personal residence trust. Dave is the grantor of the trust and occupies the property. According to the terms of the irrevocable qualified personal residence trust, Dave retains the right to occupy the property for 20 years.

Is Dave eligible for the PRE?

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Ownership Quiz – Answer #6

A property is owned by the Buick Living Trust, an irrevocable qualified personal residence trust. Dave is the grantor of the trust and occupies the property. According to the terms of the irrevocable qualified personal residence trust, Dave retains the right to occupy the property for 20 years.

Is Dave eligible for the PRE?

Answer: Dave is eligible for the PRE since a grantor of an irrevocable qualified personal residence trust is an owner that can claim the PRE and he occupies the property as his principal residence. Dave can continue to receive the PRE for the next 20 years if he continues to occupy the property as his principal residence. Dave would not be eligible for the PRE after 20 years because he would no longer be an owner that can claim a PRE.

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Ownership Quiz – Question #7

Dave owns a property. Dave transferred the property to Beverly by quit claim deed. The quit claim deed also mentions that Dave granted a life lease to Joe. Joe is not a previous owner of the property and does not occupy the property.

Is Joe eligible for the PRE?

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Ownership Quiz – Answer #7

Dave owns a property. Dave transferred the property to Beverly by quit claim deed. The quit claim deed also mentions that Dave granted a life lease to Joe. Joe is not a previous owner of the property. Joe occupies the property.

Is Joe eligible for the PRE?

Answer: Joe is not eligible for the PRE because he is not an owner of the property that can claim a PRE. Not all life lease holders qualify as an owner that can claim a PRE. Only a life lease holder who was a previous owner of the property is considered an owner that can claim a PRE.

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Ownership Quiz – Question #8

Dave owns a property. Dave transferred the property to Beverly by quit claim deed. The quit claim deed also mentions that Dave granted a life estate to Joe. Joe is not a previous owner of the property. Joe occupies the property.

Is Joe eligible for the PRE?

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Ownership Quiz – Answer #8

Dave owns a property. Dave transferred the property to Beverly by quit claim deed. The quit claim deed also mentions that Dave granted a life estate to Joe. Joe is not a previous owner of the property but does occupy the property.

Is Joe eligible for the PRE?

Answer: Joe is eligible for the PRE since he is an owner that can claim the PRE and he occupied the property as a principal residence. A life estate holder does not need to be the previous owner of the property to be considered an owner that can claim a PRE. A life estate is considered a partial owner and thus an owner that can claim the PRE.

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Occupancy Requirement

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Occupancy Defined

- A person must <u>own</u> and <u>occupy</u> the property by the deadline detailed in MCL 211.7cc(2).
- Occupancy means the owner has established the property as his or her legal residence at which they reside.
- Absences are allowed in some circumstances, but an owner must have an intent to return to the property as his or her principal residence. *(MCL 211.7cc(2); MCL 211.7dd(c))*

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Occupancy Factors

Where a person:

- Maintains a driver's license
- Votes
- Keeps his or her most important possessions
- Houses his or her family
- Maintains church, club and lodge memberships
- Buys automobile licenses
- Maintains a mailing address and banking location
- Operates a business
- Sues for divorce

This list is not inclusive and no one item is particularly controlling. Ultimately, the taxpayer has the burden to prove his or her eligibility for the tax exemption.

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Documents Verifying Occupancy

- Both sides of a driver's license with property address listed
- Voter's registration record
- Utility bills showing service and mailing address and person who is to be billed
- Canceled checks showing the property address
- Bank/charge accounts showing purchases within the vicinity of the property
- Medical billings from physicians within the vicinity of the property
- Income tax return showing the mailing address
- Insurance policies

This list is not inclusive and no one item is particularly controlling. Ultimately, the taxpayer has the burden to prove his or her eligibility for the tax exemption.

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Retaining a PRE During an Absence

- A person may retain a Principal Residence Exemption on the property during an absence if he or she intends to return to the property as a principal residence. *(MCL 211.7cc(2))*
- Each owner's situation is unique and all the facts involving that owner must be taken into consideration to determine an intent to return to a property as a principal residence.

Ultimately, the taxpayer has the burden to prove his or her eligibility for the tax exemption.

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Intent to Return Factors

- **Driver's License**: If owner has changed the address on his or her driver's license, he or she has established a new legal residence.
- **Voter's Registration**: If owner has changed the address on his or her voter's registration, he or she has established a new legal residence.
- **Rent**: If the property is rented to another person during the owner's absence, the owner has more than likely abandoned his or her intent to return to the property as a principal residence.

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Intent to Return Factors *(Cont.)*

- **Property is for sale**: If the property is for sale during the owner's absence, the owner has more than likely abandoned his or her intent to return to the property as a principal residence.
- **Personal possessions**: If the owner has removed the furniture and all other personal possessions, the owner has more than likely abandoned his or her intent to return to the property as a principal residence.
- **Length of absence**: The longer an owner is absent from the property, the more likely than not he or she has established a new legal residence.
- **Disqualifying factors (MCL 211.7cc(3))**: Statutorily override an owner's intent to return.

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Absence Situations

- Temporarily working outside of Michigan
- Renting an apartment while home is being renovated
- Nursing Home / Assisted Living
- Snow Birds
- Owns home and rents apartment closer to work
- Prisoners: A person who is incarcerated may retain his or her PRE if the incarceration is a "less-than-life" sentence and he or she proves an intent to return to the property as a principal residence.

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Military

- Must have owned and occupied as a Principal Residence and filed a ***Principal Residence Exemption Affidavit***, Form 2368, by May 1 of the year claiming the PRE.
- Must intend to return to the property as a principal residence after the active duty commitment expires.
- For the years 2008 and forward, can rent property while on active duty after filing an ***Active Duty Military Affidavit,*** Form 4660, with assessor of local tax collecting unit, on or before May 1, attesting that it is his or her intent to return to occupy the dwelling as a principal residence upon completion of active duty in the armed forces of the United States.

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14-Day Rental Rule

- Michigan law does not make provisions for granting a partial exemption based upon the percentage of the year that an owner occupies the property as a principal residence.
- Federal law allows an owner to rent their principal residence for less than 15 days during a calendar year without declaring it as a rental property on an income tax return. *(Internal Revenue Service [IRS] Publication 527, Chapter 5, Page 21)*
- An owner that would be required to declare rental income on their property is not entitled to a PRE on that property.
- An owner who rents his or her property for more than 14 days per year is not entitled to a PRE.

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Foreclosed Properties

- A PRE on a foreclosed property is removed on December 31 in the year of the foreclosure or sheriff's sale if it is no longer occupied by the owner as a principal residence.

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Occupancy Quiz – Question #1

Chris purchased a vacant lot in the year 2008. Chris began construction on a new home in January 2009. The construction was not completed until May 2, 2009. Chris received a certificate of occupancy dated May 2, 2009. Chris filed a ***Principal Residence Exemption Affidavit***, Form 2368 on May 1, 2009.

Is Chris eligible for the PRE for the year 2009?

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Occupancy Quiz – Answer #1

Chris purchased a vacant lot in the year 2008. Chris began construction on a new home in January 2009. The construction was not completed until May 2, 2009. Chris received a certificate of occupancy dated May 2, 2009. Chris filed a ***Principal Residence Exemption Affidavit***, Form 2368 on May 1, 2009.

Is Chris eligible for the PRE for the year 2009?

Answer: Chris is not eligible for the PRE for the year 2009 because he did not occupy the property as a principal residence by May 1, 2009.

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Occupancy Quiz – Question #2

Chris owned and occupied a property as his principal residence and claimed a PRE on that property since 2006. On September 1, 2008, Chris was assigned to work in Ohio for a 3-year commitment. During Chris' 3-year absence, he retained a Michigan driver's license, continued to be a registered voter in Michigan, and filed Michigan tax returns as a resident. In addition, Chris' personal possessions remained at the property and the property was not rented.

Is Chris eligible for the PRE during the 3-year absence?

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Occupancy Quiz – Answer #2

Chris owned and occupied a property as his principal residence and claimed a PRE on that property since 2006. On September 1, 2008, Chris was assigned to work in Ohio for a 3-year commitment. During Chris' 3-year absence, he retained a Michigan driver's license, continued to be a registered voter in Michigan, and filed Michigan tax returns as a resident. In addition, Chris' personal possessions remained at the property and the property was not rented.

Is Chris eligible for the PRE during the 3-year absence?

Answer: Chris is eligible for the PRE during the 3-year absence if he continues to intend to return to the property as his principal residence.

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Occupancy Quiz – Question #3

Chris owned and occupied a property as his principal residence and claimed a PRE on that property since 2006. On September 1, 2008, Chris was assigned to work in Ohio for a 3-year commitment. During Chris' 3-year absence, he retained a Michigan driver's license, continued to be a registered voter in Michigan and listed the address of his Michigan home as his residence. In addition, Chris' personal possessions remained at the property and the property was not rented. Chris filed his 2009, 2010, and 2011 tax returns in Ohio as an Ohio resident.

Is Chris eligible for the PRE during the 3-year absence?

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Occupancy Quiz – Answer #3

Chris owned and occupied a property as his principal residence and claimed a PRE on that property since 2006. On September 1, 2008, Chris was assigned to work in Ohio for a 3-year commitment. During Chris' 3-year absence, he retained a Michigan driver's license, continued to be a registered voter in Michigan and listed the address of his Michigan home as his residence. In addition, Chris' personal possessions remained at the property and the property was not rented. Chris filed his 2009, 2010, and 2011 tax returns in Ohio as an Ohio resident.

Is Chris eligible for the PRE during the 3-year absence?

Answer: Chris is not eligible for the PRE for the years 2009, 2010, and 2011 because he filed Ohio tax returns as an Ohio resident.

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Occupancy Quiz – Question #4

Chris owned and occupied a property as his principal residence and claimed a PRE on that property since 2006. On September 1, 2008, Chris was assigned to work in Ohio for a 3-year commitment. During Chris' 3-year absence, he retained a Michigan driver's license, continued to be a registered voter in Michigan, and filed Michigan tax returns as a resident of Michigan. In addition, Chris' personal possessions remained at the property and the property was not rented. Chris purchased a home in Ohio and claimed a principal residence exemption on that property.

Is Chris eligible for the PRE during the 3-year absence?

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Occupancy Quiz – Answer #4

Chris owned and occupied a property as his principal residence and claimed a PRE on that property since 2006. On September 1, 2008, Chris was assigned to work in Ohio for a 3-year commitment. During Chris' 3-year absence, he retained a Michigan driver's license, continued to be a registered voter in Michigan, and filed Michigan tax returns as a resident of Michigan. In addition, Chris' personal possessions remained at the property and the property was not rented. Chris purchased a home in Ohio and claimed a principal residence exemption on that property.

Is Chris eligible for the PRE during the 3-year absence?

Answer: Chris is not eligible for a PRE for the years 2009, 2010, and 2011 because he owned property on which he received a similar exemption in Ohio.

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Occupancy Quiz – Question #5

Chris has owned and occupied the property as his principal residence since 1962. Chris is now 80 years old and needs some assistance due to health reasons. On December 2, 2010, Chris moved to a nursing home/assisted living center. Chris retains his personal possessions at the property, the property is not rented, and he continues to maintain the property.

Is Chris eligible for the PRE while he is in the nursing home/assisted living center?

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Occupancy Quiz – Answer #5

Chris has owned and occupied the property as his principal residence since 1962. Chris is now 80 years old and needs some assistance due to health reasons. On December 2, 2010, Chris moved to a nursing home/assisted living center. Chris retains his personal possessions at the property, the property is not rented, and he continues to maintain the property.

Is Chris eligible for the PRE while he is in the nursing home/assisted living center?

Answer: Chris is eligible for the PRE as long as he continues to intend to return to the property as his principal residence.

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Occupancy Quiz – Question #6

Chris has owned and occupied a property as his principal residence since 1962. Chris is now 80 years old and needs some assistance due to health reasons. On December 2, 2009, Chris moved to and is now living in a nursing home/assisted living center. Chris retains his personal possessions at the property, but rents the property to Joe.

Is Chris eligible for the PRE while he is in the nursing home/assisted living center?

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Occupancy Quiz – Answer #6

Chris has owned and occupied a property as his principal residence since 1962. Chris is now 80 years old and needs some assistance due to health reasons. On December 2, 2009, Chris moved to and is now living in a nursing home/assisted living center. Chris retains his personal possessions at the property, but rents the property to Joe.

Is Chris eligible for the PRE while he is in the nursing home/assisted living center?

Answer: Chris is no longer eligible for the PRE because renting the property to Joe suggests that Chris no longer intends to return to the property as his principal residence.

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Occupancy Quiz – Question #7

Chris has owned and occupied a property as his principal residence since 1962. Chris is now 80 years old and needs some assistance due to health reasons. On December 2, 2009, Chris moved to and is now living in a nursing home/assisted living center. Chris allows his son Bob to live in the property while he is in the nursing home/assisted living center. Chris continues to pay the utilities and upkeep on the property and retains his personal possessions at the property.

Is Chris eligible for the PRE while he is in the nursing home/assisted living center?

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Occupancy Quiz – Answer #7

Chris has owned and occupied a property as his principal residence since 1962. Chris is now 80 years old and needs some assistance due to health reasons. On December 2, 2009, Chris moved to and is now living in a nursing home/assisted living center. Chris allows his son Bob to live in the property while he is in the nursing home/assisted living center. Chris continues to pay the utilities and upkeep on the property and retains his personal possessions at the property.

Is Chris eligible for the PRE while he is in the nursing home/assisted living center?

Answer: Chris is eligible for the PRE as long as he intends to return to the property as his principal residence.

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Occupancy Quiz – Question #8

Chris owns property on a lake. Chris occupies the home the majority of the year but rents it out during the summer and takes an apartment in town. Chris' Michigan driver's license, voter records, and all other evidence lists the property as his residence.

Is Chris eligible for the PRE?

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Occupancy Quiz – Answer #8

Chris owns property on a lake. Chris occupies the home the majority of the year but rents it out during the summer and takes an apartment in town. Chris' Michigan driver's license, voter records, and all other evidence lists the property as his residence.

Is Chris eligible for the PRE?

Answer: Chris is not eligible for the PRE. Michigan law does not make any provision for granting a partial exemption based on the percentage of the year that the homeowner occupies the home as a principal residence. An owner who rents a property for more than 14 days a year is not entitled to a PRE. ***(based on rental property definition in Internal Revenue Service [IRS] Publication 527, Chapter 5, Page 21)***

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Occupancy Quiz – Question #9

Chris owns and occupies a home as his principal residence. Chris' wife Sarah also owns and occupies a separate home in Florida as her principal residence, and receives a similar exemption. Chris and Sarah file joint Michigan income tax returns as residents of Michigan.

Is Chris eligible for the PRE?

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Occupancy Quiz – Answer #9

Chris owns and occupies a home as his principal residence. Chris' wife Sarah also owns and occupies a separate home in Florida as her principal residence. Chris and Sarah file joint Michigan income tax returns as residents of Michigan.

Is Chris eligible for the PRE?

Answer: Chris is not eligible for the PRE because joint income tax returns were filed and his wife received a similar exemption on the property in Florida.

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Multi-Purpose Properties
[Partial PREs]

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Multi-Purpose Properties

Duplexes / Apartments: If the principal residence is a unit in a multiple-unit dwelling or a dwelling unit in a multiple-purpose structure, an owner shall claim an exemption for only that portion of the total taxable value of the property used as the principal residence of that owner. *(MCL 211.7cc(16))*

Operating a Business out of the Property: If a portion of a parcel for which the owner claims a principal residence exemption is used for a purpose other than as a principal residence, the owner may only claim a partial exemption based upon the portion that is owned and occupied as a principal residence. *(MCL 211.7cc(16))*

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Multi-Purpose Properties *(Cont.)*

Two Homes on One Parcel: If a portion of a parcel for which the owner claims a principal residence exemption is used for a purpose other than as a principal residence, the owner may only claim a partial exemption based upon the portion that is owned and occupied as a principal residence. *(MCL 2.117cc(16))*

Renting Part of the Home: An owner is entitled to a 100% principal residence exemption if less than 50% of the total square footage of a principal residence is rented to a tenant. *(MCL 211.7dd(a)(c))* If 50% or more is rented, then only entitled to that portion that is owned and occupied as a principal residence.

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Bed & Breakfast

Requirements to qualify as a "Bed & Breakfast": *(MCL 211.7cc(30)(a))*

- The property must be classified as residential property.
- The property must have 10 or fewer sleeping rooms (including the sleeping room occupied by the owner of the property).
- One or more of the rooms must be available for rent to transient tenants.
- Meals must be served at no extra cost to its transient tenants.
- The property must have a smoke detector in proper working order in each sleeping room.
- The property must have a fire extinguisher in proper working order on each floor.

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Bed & Breakfast PRE Proration

- **Qualified property**: the PRE is based upon the square footage used exclusively as the owner's principal residence and 50% of the common areas.

  "Common areas" include, but are not limited to, kitchen, dining room, living room, fitness room, porch, hallway, laundry room, or bathroom that is available for use by guests. *(MCL 211.7cc(30)(b)).*

- **Non-qualified property**: PRE is based upon the square footage used exclusively as the owner's principal residence. No common area entitlement.

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Adjoining or Contiguous Property

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Eligibility Requirements for PRE on Adjoining or Contiguous Property

A person is eligible for a PRE on property that is adjoining or contiguous to the property they own and occupy as a principal residence if <u>all</u> of the following conditions are met:

- The property is owned by a person that can claim the PRE as defined in MCL 211.7dd(a);
- The property is classified as residential or timber-cutover (for years 2008 and future years);
- The property is adjoining or contiguous to the owner's principal residence;
- The adjoining or contiguous property is "unoccupied;" and
- None of the disqualifying factors stated in MCL 211.7cc(3) apply.

<u>No partial PREs on adjoining or contiguous property.</u>

<u>It is either at 100% or 0% PRE.</u>

73

How Does an Owner Claim a PRE on Adjoining or Contiguous Property?

The property owner must file a ***Principal Residence Exemption Affidavit**, Form 2368,* with the local assessor by the deadline detailed in MCL 211.7cc(2). The affidavit is a sworn statement that is signed by the person claiming the PRE, testifying that the property in question is unoccupied, classed residential or timber-cutover, adjoining or contiguous to the dwelling subject to ad valorem taxes, and owned and occupied by the person claiming the PRE.

74

Classification Factors

The property must be classified as ***residential*** or ***timber-cutover*** (for the years 2008 and future years) to qualify for a PRE on adjoining or contiguous property. Adjoining or contiguous property classified as commercial, industrial, agricultural, or developmental disqualifies an owner from receiving a PRE on that property.

75

Timber-Cutover Property

- P.A. 17 of 2010 – Beginning December 31, 2007, timber-cutover may qualify for a PRE if it is unoccupied and adjoining or contiguous to the owner's principal residence.
- May appeal to the 2010 July BOR:
  - Request a PRE on the timber-cutover for 2008 or 2009 tax years only.
  - Request reinstatement of a PRE if the timber-cutover was denied before May 1, 2009 for 2008 and 2009 tax years only.
- BOR does not have the authority to:
  - Grant or reinstate a PRE for the 2007 tax year or prior.
  - Reinstate a PRE that was denied on or after May 1, 2009.

76

Adjoining or Contiguous Factors

- Contiguity is a grouping of properties that are in physical contact with each other.
- Contiguity is not broken by a road or right-of-way since a person owns to the middle of the road or right-of-way.
- Contiguity is not broken if a person owns property to the center of the body of water and the owner's lots physically touch at the center of the body of water.

77

"Unoccupied" Factors

The statute does not define the term "unoccupied".

The Department of Treasury considers a property to be "unoccupied" and "occupied" in the following situations:

Unoccupied	Occupied
Non-habitable dwelling or structures. (e.g., garages, sheds)	A habitable dwelling (e.g., cabin, trailer, or manufactured home)
Vacant	Property that has a business being run from it (e.g., gravel pit)

Ultimately, the taxpayer has the burden to prove his or her eligibility for the tax exemption.

78

Adjoining/Contiguous Quiz – Question #1

Chris owns Lots A and B. Lot A contains a home which is Chris' principal residence. Lot B physically touches Lot A and is vacant and classed residential.

Is Chris eligible for a PRE on Lot B?

79

Adjoining/Contiguous Quiz – Answer #1

Chris owns Lots A and B. Lot A contains a home which is Chris' principal residence. Lot B physically touches Lot A and is vacant and classed residential.

Is Chris eligible for a PRE on Lot B?

Answer: Chris is eligible for a PRE on Lot B since it is adjoining and/or contiguous to Chris' principal residence, is unoccupied and classed residential.

80

Adjoining/Contiguous Quiz – Question #2

Chris owns Lots A and B. Lot A contains a home which is Chris' principal residence. Lots A and B are separated by a road. Lot B is vacant and classified as residential.

Is Chris eligible for a PRE on Lot B?

81

Adjoining/Contiguous Quiz – Answer #2

Chris owns Lots A and B. Lot A contains a home which is Chris' principal residence. Lots A and B are separated by a road. Lot B is vacant and classified as residential.

Is Chris eligible for a PRE on Lot B?

Answer: Chris is eligible for a PRE on Lot B since Lot B is adjoining and/or contiguous to Chris' principal residence, is unoccupied, and classed residential. Contiguity is not broken by a road or right-of-way.

82

Adjoining/Contiguous Quiz – Question #3

Chris owns Lots A, B, and C. Lot A contains a home which is Chris' principal residence. Lot B physically touches Lot A, is vacant, and is classed commercial. Lot C physically touches Lot B, but not Lot A. Lot C is vacant and classed residential.

Is Chris eligible for a PRE on Lots B and C?

83

Adjoining/Contiguous Quiz – Answer #3

Chris owns Lots A, B, and C. Lot A contains a home which is Chris' principal residence. Lot B physically touches Lot A, is vacant, and is classed commercial. Lot C physically touches Lot B, but not Lot A. Lot C is vacant and classed residential.

Is Chris eligible for a PRE on Lots B and C?

Answer: Chris is not eligible for a PRE on Lot B because Lot B is classed as commercial, not residential. Chris is not eligible for a PRE on Lot C since Lot C is not adjoining and/or contiguous to a property for which Chris is eligible for the PRE. The disqualification of Lot B broke the contiguity.

84

Adjoining/Contiguous Quiz – Question #4

Chris owns Lots A and B. Lot A contains a home which is Chris' principal residence. Lot B physically touches Lot A and is classed residential. Lot B contains a trailer. The trailer is used by family and guests during holidays or other family functions.

Is Chris eligible for a PRE on Lot B?

85

Adjoining/Contiguous Quiz – Answer #4

Chris owns Lots A and B. Lot A contains a home which is Chris' principal residence. Lot B physically touches Lot A and is classed residential. Lot B contains a trailer. The trailer is used by family and guests during holidays or other family functions.

Is Chris eligible for a PRE on Lot B?

Answer: Chris is not eligible for a PRE on Lot B because Lot B is not considered "unoccupied". A mobile home, trailer, or other habitable dwellings are not considered "unoccupied".

86

Adjoining/Contiguous Quiz – Question #5

Chris owns Lots A and B. Lot A contains a home which is Chris' principal residence. Lot B physically touches lot A and is classed residential. Lot B contains a trailer that is used for storage purposes.

Is Chris eligible for a PRE on Lot B?

87

Adjoining/Contiguous Quiz – Answer #5

Chris owns Lots A and B. Lot A contains a home which is Chris' principal residence. Lot B physically touches lot A and is classed residential. Lot B contains a trailer that is used for storage purposes.

Is Chris eligible for a PRE on Lot B?

Answer: Chris may be eligible for the PRE on Lot B. If the trailer is considered uninhabitable, then the property is unoccupied and Chris would qualify for a PRE.

88

Adjoining/Contiguous Quiz – Question #6

Chris owns Lots A and B. Lots A and B contain Chris' principal residence. Lot B also contains a trailer that is being rented to a tenant. Lot B physically touches Lot A and is classed residential.

Is Chris eligible for a PRE on Lot B?

89

Adjoining/Contiguous Quiz – Answer #6

Chris owns Lots A and B. Lots A and B contain Chris' principal residence. Lot B also contains a trailer that is being rented to a tenant. Lot B physically touches Lot A and is classed residential.

Is Chris eligible for a PRE on Lot B?

Answer: Chris is eligible for a partial PRE on Lot B based on that portion of the lot that he occupies as his principal residence.

90

Owner's Conditional Rescission

91

What is an "Owner's" Conditional Rescission?

A conditional rescission is the process which allows an owner to receive a PRE on his or her current principal residence and retain a PRE on that owner's previously exempted property ***simultaneously***, for up to 3 years, if the previous exempt property:

- Is for sale;
- Is not occupied;
- Is not leased; and
- Is not used for any business or commercial purpose.

92

How Does an Owner Claim an "Owner's" Conditional Rescission?

The owner must submit a ***Conditional Rescission of Principal Residence Exemption,*** Form 4640, to the assessor for the city or township in which the property is located on or before May 1 of the first year of the claim. *(MCL 211.7cc(5))*

An owner is not eligible for a conditional rescission if he or she misses the May 1 filing deadline.

93

Annual Verification Requirement

A person can retain a PRE for up to 3 years if the owner annually submits Form 4640 on or before December 31 to verify to the assessor that the property for which the PRE is retained is not occupied, is for sale, is not leased, and is not used for any business or commercial purpose. For example, if an owner received a conditional rescission in 2011, he or she would have to submit another completed Form 4640 by December 31, 2011 to qualify for a conditional rescission in 2012.

The 3 years must be consecutive. If an owner does not annually verify by December 31, the assessor of the local tax collecting unit shall deny the PRE on that property.

94

Board of Review Authority And "Owner's" Conditional Rescission

The Board of Review has no authority with regard to a conditional rescission and cannot institute a conditional rescission on behalf of an owner if a deadline is missed for previous years.

95

"Owner's" Conditional Rescission Eligibility Factors

- **Previously exempt property**: An owner is only eligible for a conditional rescission on property they previously owned and occupied and claimed a PRE.
- **Estate of deceased owner**: The estate of the deceased owner is not eligible for the conditional rescission.

96

"Owner's" Conditional Rescission Eligibility Factors *(Cont.)*

- **Michigan PRE**: Owner must qualify for and claim a new PRE in Michigan, not in FL, AZ, etc.
- **Assisted Living or Nursing Home**: An owner who moves to an Assisted Living or Nursing Home is not eligible for a conditional rescission since the owner did not establish a new principal residence that qualifies for a PRE.
- **Rent**: An owner who moves to an apartment that he or she rents is not eligible for a conditional rescission since the owner did not establish a new principal residence that qualifies for a PRE.

97

"Owner's" Conditional Rescission Eligibility Factors *(Cont.)*

- **Not occupied:** The statute does not define "not occupied." It is the Department of Treasury's position that "not occupied" means no one is residing at the property but some furniture may remain in the property for staging purposes.
- **For sale:** The statute does not contain a definition of "for sale." It is the Department of Treasury's position that a "for sale by owner" sign may be sufficient. You must look at the totality of the circumstances to determine if, in fact, the property is "for sale."

Ultimately, the burden is on the taxpayer to show that he or she qualifies for a PRE or conditional rescission.

98

The Effect of Leasing on an "Owner's Conditional Rescission

Once the property is leased, the opportunity to receive a conditional rescission is no longer available.

Retroactive Denial: If a property subject to a conditional rescission is leased, the local tax collecting unit shall deny that conditional rescission and that denial is retroactive and is effective on December 31 of the year immediately preceding the year in which the property subject to the conditional rescission is leased. *(MCL 211.7cc(5)).*

99

"Foreclosure Entity" Conditional Rescission

What is a "Foreclosure Entity" Conditional Rescission?

A foreclosure entity conditional rescission allows a land contract vendor, bank, credit union or other lending institution (foreclosure entity) to retain a principal residence exemption on foreclosed property if the property:

- Is owned by the foreclosure entity as a result of a foreclosure;
- Was subject to a PRE immediately preceding the foreclosure;
- Is not occupied;
- Is for sale;
- Is not leased to any person other than the person who claimed the PRE immediately preceding the foreclosure; and
- Is not used for any business or commercial purpose.

How Does a "Foreclosure Entity" Claim a Conditional Rescission?

Beginning with the 2012 tax year, the foreclosure entity must submit a ***Foreclosure Entity Conditional Rescission of Principal Residence Exemption,*** Form 4983, to the assessor for the city or township in which the property is located on or before June 1 or November 1 of the first year of the claim. *(MCL 211.7cc(5))*

The foreclosure entity conditional rescission is not retroactive to tax years prior to 2012.

Annual Verification Requirement

A foreclosure entity can retain a PRE if the entity submits Form 4983 on or before December 31 to verify to the assessor that the property for which the PRE is retained meets the qualifications of the conditional rescission. For example, if an entity received a conditional rescission in 2012, the entity would have to submit another completed Form 4983 by December 31, 2012 to qualify for a foreclosure entity conditional rescission in 2013.

There is no limit to the number of annual verifications a foreclosure entity can submit. However, the foreclosure entity must rescind the exemption upon a transfer of ownership.

103

Payment Requirements of a "Foreclosure Entity"

- The foreclosure entity must pay to the tax-collecting unit an amount of taxes that the foreclosure entity would have paid if the property were not subject to a PRE (collected at the same time and in the same manner) and must pay an administration fee equal to the property tax administration fee imposed under Section 44 of the General Property Tax Act.
- The payment must be distributed to the Department of Treasury for deposit into the state school aid fund (a Department of Treasury form is being drafted).
- The administration fee is to be retained by the local tax collecting unit.
- If payment is not made, the local tax collecting unit must deny the foreclosure entity conditional rescission retroactively effective December 31 of the immediately preceding year. If denied, the PRE is removed and any additional taxes, penalties, and interest must be collected from the foreclosure entity.

104

Board of Review Authority and "Foreclosure Entity" Conditional Rescission

The Board of Review has no authority with regard to a conditional rescission and cannot institute a conditional rescission on behalf of an entity if a deadline is missed for the current or previous years.

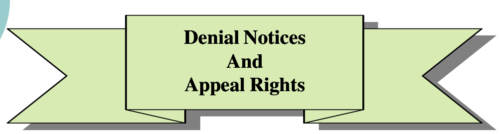
105

The Effect of Leasing on a "Foreclosure Entity" Conditional Rescission

Once the property is leased to any person **other than the person who claimed the PRE immediately preceding the foreclosure,** the opportunity to receive a foreclosure entity conditional rescission is no longer available.

Retroactive Denial: If a property subject to a foreclosure entity conditional rescission is leased to any person other than the person who claimed the PRE immediately preceding the foreclosure, the local tax collecting unit shall deny that conditional rescission and that denial is retroactive and is effective on December 31 of the year immediately preceding the year in which the property subject to the conditional rescission is leased. *(MCL 211.7cc(5))*

106



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Denial Notices and Appeal Rights

Issued by Local Unit Assessor

- Can deny both a new or existing claim.
- No authority to issue a rescission.
- ***Notice of Denial of Principal Residence Exemption (local unit)***, Form 2742.
- Taxpayer has appeal rights to the Michigan Tax Tribunal.

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Denial Notices and Appeal Rights
(Cont.)

Issued by an Opt-In County

- ***Notice of Denial of Principal Residence Exemption (County)***, Form 4075.
- Taxpayer has appeal rights to the Michigan Tax Tribunal

109

Denial Notices and Appeal Rights
(Cont.)

Issued by the Deptartment of Treasury

- Initial audit is conducted by Tax Management Associates (TMA).
- A list of proposed denied parcels is provided to the Department by TMA *(taxpayers who fail to respond to our inquiry within 30 days are also denied).*
- Department issues denial notice by letter to taxpayer.
- Department sends letter and list of denials to county treasurer, equalization director and assessor.
- Taxpayer has appeal rights to Hearings Division of Michigan Department of Treasury.

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PRE Appeal Authority

Type of Appeal	Board of Review	Dept. of Treasury	Michigan Tax Tribunal
PRE which was NOT on the current year and previous three years Tax Roll*	July or December for current year and previous three years exemption	Within 35 days of Board of Review action	Within 35 days of decision by the Department of Treasury
Denial by Assessor OR Opt-In County for current year and previous three years	No Review Authority	No Review Authority	Within 35 days after date of notice of denial
Denial by Department of Treasury for current year and previous three years	No Review Authority	Hearings Division within 35 days after date of notice of denial	Within 35 days of the final decision by the Department of Treasury

***Owned & Occupied by May 1st.**

111

Request for Hearing Regarding a Denial by the Department

An Assessor or Treasurer may send additional or supplemental information regarding a denial to the Department of Treasury for review. However, submission of this information does not constitute an appeal on behalf of the taxpayer and will not result in an appeal hearing. An appeal must be requested by the taxpayer.

112

Michigan Tax Tribunal Appeal Tips

113

Michigan Tax Tribunal Jurisdiction

The Tribunal has jurisdiction if an appeal is filed with the Small Claims Division of the Tribunal within 35 days from:

- The date of denial by the Assessor
- The date of denial by an Opt-in County
- The date of a final decision of the Department of Treasury denying the PRE

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Petitioner's Appeal Responsibilities

- Submit a Principal Residence/Qualified Agricultural Appeal Form with the Tribunal within the required appeal time frame. Untimely appeals may result in dismissal.
- Submit documentation supporting the case no later than 30 days prior to the scheduled hearing. Documentation not in the file may be accepted if there is proof of submission.
- Serve copies of the Appeal Petition Form and documentation submitted to the Respondent (Assessor, County, or Department of Treasury) not less than 21 days before the date of the scheduled hearing unless otherwise ordered by the Tribunal. If information is submitted to only one party, that information may not be considered by the Tribunal in making its determination.

115

Respondent Appeal Responsibilities

- Complete and submit the answer form to the Tribunal by the date on the form. Failure to complete and timely return the answer form to the Tribunal may result in a default hearing.
- Cite relevant statutory authority and submit documentation to the Tribunal that supports the case to uphold the denial of the PRE.
- Serve the Petitioner with a copy of the completed answer form and supporting documentation filed with the Tribunal.

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Notice of Hearing

- The Tribunal's notification letter will provide the date, time and location of the hearing approximately 30 days prior to the hearing date.
- It may take longer than a year for an appeal to be heard due to the volume of appeals. The Tribunal maintains a docketing website which may be used to determine the status of an appeal. The docketing website is a link on the Tribunal's homepage: www.michigan.gov/taxtribunal.

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Hearings Site

- Most hearings are conducted in the county where the property is located.
- Many hearings are heard in the County Courthouse, County Administrative Offices, or a City or Township Building.
- The Tribunal may also grant a request for a telephonic hearing if a request is timely made.

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Adjourning a Hearing

- If a party cannot attend on the scheduled day, immediately contact the Tribunal office (517/ 373-3003). The Tribunal may grant an adjournment to a later date, if reasonable cause is provided.
- If a party is delayed on the hearing date due to unforeseen circumstances (weather, accident, illness), call the Tribunal offices. The Tribunal member or hearing referee will be notified and the hearing will either be heard on the file or adjourned to a later time or date.

119

Hearing Procedure and Conduct

- Arrive early. If a party is late, the hearing may be dismissed.
- Presiding judge will be a Tribunal member or hearing referee.
- All parties testifying will be sworn in by the Tribunal member or hearing referee.
- Hearings are generally 30 minutes in length. The Tribunal member or hearing referee will enforce the time limit.
- It is advisable to submit all planned testimony in written form prior to the hearing.
- Petitioner will have the first opportunity to testify and is generally permitted 10 minutes of testimony.

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Hearing Procedure and Conduct *(Cont.)*

- Respondent testifies for the next 10 minutes. Cite statutory authority and testify only to the important and relevant facts supporting the denial of a PRE.
- Each party then will be provided 5 minutes of rebuttal testimony. Be prepared to rebut the opposing party's testimony.
- Respect the opposing party's time. Do not interrupt testimony.
- BE PREPARED. DO NOT BE REDUNDANT. CITE STATUTORY AUTHORITY AND RELEVANT FACTS. BE CREDIBLE.

121

Opinion and Judgment

If the presiding judge is a Tribunal member, the Opinion and Judgment will be a Final Opinion and Judgment. The parties may appeal the Final Opinion and Judgment to the Michigan Court of Appeals, as provided by MCL 205.753 and the Michigan Rules of Court.

If the presiding judge is a hearing officer, the Opinion and Judgment will be a Proposed Opinion and Judgment. The parties may file exceptions to a Proposed Opinion and Judgment within 20 days of the entry of the Proposed Opinion and Judgment.

122

Billing Issues

123

Tax Roll Action and Billing Requirements

Following a denial of a Principal Residence Exemption, the local and county treasurer must:

- Remove the Principal Residence Exemption from the tax roll.
- Issue a corrected/supplemental tax bill within 30 days of the date of the denial.
- Charge interest (only Michigan Department of Treasury may waive interest).

(Exception is a bona fide purchaser situation)

124

Waiver of Interest

- P.A. 17 of 2010 amended Subsection (8) of 211.7cc.
- Department **may** waive interest for the current tax year and the immediately preceding 3 tax years if:
  - Assessor's classification error
  - Assessor's failure to rescind the exemption after the owner requested in writing that the exemption be rescinded
  - Other assessor's error
- The corrected or supplemental tax bill must have been issued

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Waiver of Interest *(Cont.)*

- Assessor must complete, sign, and file an affidavit (***Assessor's Affidavit to Waive Principal Residence Exemption (PRE) Denial Interest***, Form 4813).
  - Must include a letter from the taxpayer;
  - Must include a copy of the denial notice;
  - Must include a copy of the corrected or supplemental tax bill(s);
  - Must include any other supporting or relevant documents; and
  - Must be complete and notarized.
- Department will advise assessor and taxpayer in writing of decision.
- ONLY the Department may waive interest (BOR, MTT, County officials, local unit officials, and any other person or entity does not have the authority).

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Bona Fide Purchaser Exception

A bona fide purchaser is one who purchases in good faith for valuable consideration.

If property is sold to a bona fide purchaser, the local/county treasurer must:

- Not remove the PRE from the tax roll (taxes are no longer lien on a property)
- Not issue a corrected/supplemental tax bill.
- Notify the Michigan Department of Treasury, in writing, to bill the previous owner for the taxes owed in regards to the PRE denial.
- Complete Form 4816.

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Information Necessary to Process Request to Bill a Bona Fide Purchaser

A ***Request to Bill Seller Following a Pre Denial***, Form 4816, must be completed and submitted to the Department and must include the following information:

- Date and name of unit of government that issued the PRE denial;
- Parcel number;
- Taxable value for each year denied;
- School operating millage rate for each year denied;
- Date of sale;
- Seller's name and address;
- Buyer's name and address;
- Tax year and due date (summer or winter); and
- Copy of all transfers (deeds/land contracts) within denied years.

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Property "Sundance" worth $100,000

Person Denied	Sale #1	Sale #2	Sale #3	Who is Liable?	Who Bills?
Mr. X	Mr. Y / $1.00	---	---	Mr. Y	County / Local
Mr. X	Mr. Y inherits it	---	---	Mr. Y	County / Local
Mr. X	Mr. Y / $1.00	Mr. Z / $1.00	---	Mr. Z	County / Local
Mr. X	Mr. Y / $100,000	---	---	Mr. X	Department
Mr. X	Mr. Y / $1.00 + Valuable consideration	---	---	Mr. X	Department
Mr. X	Bank #1 by Sheriff's Deed	---	---	Bank #1	County / Local
Mr. X	Bank #1 by Sheriff's Deed	Mr. Y / $50,000	---	Mr. X	Department
Mr. X	Bank #1 by Sheriff's Deed	Bank #2 QCD + $1.00	---	Bank #2	County / Local
Mr. X	Bank #1 by Sheriff's Deed	Bank #2 QCD + $1.00	Mr. Y / $30,000	Mr. X	Department

129

Board of Review Actions

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Board of Review Actions

- May review Principal Residence Exemption claims that are not on the tax roll and have not been previously denied for the current and three immediately preceding years. *(MCL 211.7(19))*
- An owner who occupied a property as a principal residence on or before May 1 for which the exemption was not on the tax roll may file an appeal with the July or December Board of Review. However, MCL 21.7cc(19) was not amended to allow an owner to go to the Board of Review if the owner occupied the property sometime from May 2 to November 1, but Form 2368 was timely filed.
- July 2010 only: Timber-Cutover Issues.

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Board of Review Actions *(Cont.)*

- Cannot review an appeal of a denial of a PRE.
- Cannot grant a conditional rescission.
- Cannot review a taxpayer's appeal regarding a late filing of a conditional rescission.
- Cannot deny an existing PRE.
- Cannot rescind an existing PRE.
- Cannot waive interest.

132

PRE Audit Issues

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Audit Responsibilities

Opt-In Counties

- The county treasurer or county equalization director has audit responsibilities.
- Department of Treasury may audit.
- County treasurer, equalization director, assessors and Department of Treasury may issue denial notices.

Opt-Out Counties

- Department of Treasury has audit responsibilities.
- Assessors and Department of Treasury may issue denial notices.

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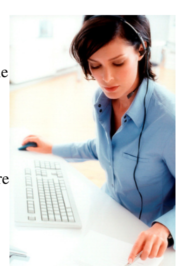
Audit Sources

- Compare mailing address against property address.
- Multiple properties owned by same person.
- Check list or database of rental properties to see whether any are receiving a PRE.
- Check to see if property owners are registered to vote at the property address.
- Review death notices.



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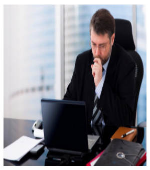
Audit Sources *(Cont.)*



- Check for properties 100% owned by companies or businesses.
- If there is a DBA for a property, check to see if they are receiving a PRE at 100%.
- Classification of property – adjacent or contiguous property must be unoccupied and classified as residential or timber-cutover (2008 forward).
- Review returned mail when sent to the property address.
- Compare against addresses listed on dog licenses.
- Check water/sewer (utility) databases for properties that say to bill "tenant".

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Audit Tools

- Send an audit letter and questionnaire to any person claiming a questionable exemption. A sample can be found at: www.michigan.gov/PRE.
- Send a questionnaire to the assessor.
- Disclosure agreement with the Department of Treasury.
- Principal Residence Exemption (PRE) database developed by the Department of Treasury which can be found at: www.michigan.gov/PREDatabase.

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Miscellaneous Issues

138

Principal Residence Exemption Interest Distribution

- Section 23 of MCL 211.7cc details required distribution.
- Interest to the Department of Treasury is submitted with Form 4142, (Ver. 04-09) ***Principal Residence Exemption Denial Interest Summary*** (including refund requests with documentation).
- Mail to address listed on bottom of form.
- Include your e-mail address on Form 4142; we will confirm receipt of your payment.

139

Michigan Department of Education (MDE) Reporting Requirements

- Report taxable value changes to MDE using the online taxable value database (formerly DS-4410).
- Taxable value changes should be reported on a regular basis.
- MDE link under County and Local PRE Resources at www.michigan.gov/PRE.
  - Reporting Calendar
  - Reporting Guides
  - Taxable Value Reporting Database

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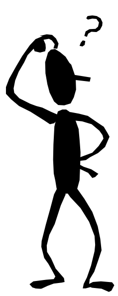
Questions?



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Contact Information

- David Buick: Buickd@michigan.gov (517) 335-4410
- Patrick Huber: Huberp@michigan.gov (517) 335-1002
- Chris Mida: Midac@michigan.gov (517) 373-1379
- PRE Unit: PTE-Section@michigan.gov (517) 373-1950

www.michigan.gov/PRE

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