

Summary of Changes to MCL 211.7u Poverty Exemption in Public Act 253 of 2020

Public Act 253 of 2020 was signed into law on December 23, 2020. The Act made several changes to the poverty exemption statute (MCL 211.7u) that will impact how local units, assessors, and boards of review handle the exemption starting with the 2021 tax year:

- Removes the word “supervisor” from statute, making it clear that only the Board of Review can grant/deny poverty exemption
- Clarifies that the federal income levels used are those adopted in the *prior* tax year (2020 federal levels are used for 2021 exemptions)
- Requires the local unit to make the policy, guidelines and application form available on their website
- Removes the ability for Boards of Review to deviate from the adopted policy/guidelines for “substantial and compelling reasons”
- Local units can adopt a resolution that allows an exemption granted in 2019 or 2020 to carry forward to 2021, 2022 and 2023 for those persons who receive a fixed income solely from public assistance that is not subject to significant annual increases (Federal Supplemental Security Income, Social Security disability or retirement benefits). Local units can also adopt a resolution for any new exemptions in 2021, 2022 or 2023 to remain exempt for up to 3 years for persons who receive a fixed income (MCL 211.7u(6))
- Local units can carry a poverty exemption forward that was granted in 2019 or 2020 for the 2021 tax year, without an application or protest to the Board of Review. **Local units must adopt a resolution by February 15, 2021 to carry the exemption forward (MCL 211.7u(8))**
- If a person meets all eligibility requirements in statute, the Board of Review must grant a full exemption equal to a 100% reduction in taxable value OR a partial exemption equal to a 25% or 50% reduction in taxable value OR any other percentage reduction in taxable value approved by the STC

A person receiving the extended exemption in MCL 211.7u(6) for up to 3 years due to receiving a fixed income is required to file an affidavit rescinding the exemption within 45 days of no longer being eligible for the exemption.

Local units that adopt a resolution to extend the poverty exemption for up to 3 years for those persons who receive a fixed income solely from public assistance or local units that carry the 2019/2020 granted poverty exemptions forward to 2021 must implement an audit program and if found ineligible, the person is subject to repayment of the taxes plus interest.

Local units may need to revise their guidelines, policies, etc to implement the changes in statute. This includes revised guidelines that remove any other calculation of the taxable value for approved poverty exemptions, i.e. formulas that take into consideration the homestead tax credit to calculate the property tax liability and revised TV based on that calculated tax liability. The guidelines may only provide for a full exemption equal to a 100% reduction in taxable value (TV of 0) or a partial exemption equal to a 25% reduction or 50% reduction in taxable value, or any other percentage reduction approved by the State Tax Commission.

PA 253 requires the State Tax Commission to issue a bulletin on how to develop and implement the audit program for the extended poverty exemption provisions in MCL 211.7u(6) and (8). The State Tax Commission will also be working to create the statutorily required poverty application form and other necessary forms and guidance.

Procedural Changes for 2021

Bulletin 17 of 2020 - October 20, 2020



TO: Assessing Officers and County Equalization Directors

FROM: State Tax Commission

SUBJECT: Procedural Changes for the 2021 Assessment Year

The purpose of this Bulletin to provide information on statutory changes, procedural changes and reminders for the 2021 assessment year.

A. Inflation Rate Used in the 2021 Capped Value Formula

The inflation rate, expressed as a multiplier, to be used in the 2021 Capped Value Formula is 1.014.

The 2021 Capped Value Formula is as follows:

2021 CAPPED VALUE = (2020 Taxable Value - LOSSES) X 1.014 + ADDITIONS

The formula above does not include 1.05 because the inflation rate multiplier of 1.014 is lower than 1.05.

B. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2021

MCL 211.7u, which deals with poverty exemptions, was significantly altered by PA 390 of 1994 and was further amended by PA 620 of 2002.

Local governing bodies are required to adopt guidelines that set income levels for their poverty exemption guidelines and those income levels shall not be set lower by a city or township than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services. This means, for example, that the income level for a household of 3 persons shall not be set lower than \$21,720 which is the amount shown on the following chart for a family of 3 persons. The income level for a family of 3 persons may be set higher than \$21,720. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2021 assessments:

Size of Family Unit	Poverty Guidelines
1	\$12,760
2	\$17,240
3	\$21,720
4	\$26,200
5	\$30,680
6	\$35,160
7	\$39,640
8	\$44,120
For each additional person	\$4,480

Note: PA 390 of 1994 states that the poverty exemption guidelines established by the governing body of the local assessing unit shall also include an asset level test. An asset test means the amount of cash, fixed assets or other property that could be used, or converted to cash for use in the payment of property taxes. The asset test should calculate a maximum amount permitted and all other assets above that amount should be considered as available. Please see STC Bulletin 6 of 2017 for more information on poverty exemptions.

Note: PA 135 of 2012 changed the requirements for filing documentation in support of a poverty exemption to allow an affidavit (Treasury Form 4988) to be filed for all persons residing in the residence who were not required to file federal or state income tax returns in the current year or in the immediately preceding year. This does include the owner of the property who is filing for the exemption.

C. Sales Studies

Equalization study dates are as follows for 2021 equalization:

Two Year Study: April 1, two years prior through March 31, current year

Single Year Study: October 1, preceding year through September 30, current year

For 2020 studies for 2021 equalization the dates are as follows:

INCOME ELIGIBILITY GUIDELINES

Effective from July 1, 2020 to June 30, 2021

HOUSEHOLD SIZE	FEDERAL POVERTY GUIDELINES	REDUCED PRICE MEALS - 185 %					FREE MEALS - 130 %				
	ANNUAL	ANNUAL	MONTHLY	TWICE PER MONTH	EVERY TWO WEEKS	WEEKLY	ANNUAL	MONTHLY	TWICE PER MONTH	EVERY TWO WEEKS	WEEKLY
48 CONTIGUOUS STATES, DISTRICT OF COLUMBIA, GUAM, AND TERRITORIES											
1	12,760	23,606	1,968	984	908	454	16,588	1,383	692	638	319
2	17,240	31,894	2,658	1,329	1,227	614	22,412	1,868	934	862	431
3	21,720	40,182	3,349	1,675	1,546	773	28,236	2,353	1,177	1,086	543
4	26,200	48,470	4,040	2,020	1,865	933	34,060	2,839	1,420	1,310	655
5	30,680	56,758	4,730	2,365	2,183	1,092	39,884	3,324	1,662	1,534	767
6	35,160	65,046	5,421	2,711	2,502	1,251	45,708	3,809	1,905	1,758	879
7	39,640	73,334	6,112	3,056	2,821	1,411	51,532	4,295	2,148	1,982	991
8	44,120	81,622	6,802	3,401	3,140	1,570	57,356	4,780	2,390	2,206	1,103
For each add'l family member, add	14,480	8,288	691	346	319	160	5,824	486	243	224	112
ALASKA											
1	15,950	29,508	2,459	1,230	1,135	569	20,735	1,728	864	798	399
2	21,550	39,868	3,323	1,662	1,534	767	28,015	2,335	1,168	1,078	539
3	27,150	50,228	4,186	2,093	1,932	966	35,295	2,942	1,471	1,358	679
4	32,750	60,588	5,049	2,525	2,331	1,166	42,575	3,548	1,774	1,638	819
5	38,350	70,948	5,913	2,957	2,729	1,365	49,855	4,155	2,078	1,918	959
6	43,950	81,308	6,776	3,388	3,128	1,564	57,135	4,762	2,381	2,198	1,099
7	49,550	91,668	7,639	3,820	3,526	1,763	64,415	5,368	2,684	2,478	1,239
8	55,150	102,028	8,503	4,252	3,925	1,963	71,695	5,975	2,988	2,758	1,379
For each add'l family member, add	5,600	10,360	864	432	399	200	7,280	607	304	280	140
HAWAII											
1	14,680	27,158	2,264	1,132	1,045	523	19,084	1,591	796	734	367
2	19,830	36,686	3,058	1,529	1,411	706	25,779	2,149	1,075	992	496
3	24,980	46,213	3,852	1,926	1,778	889	32,474	2,707	1,354	1,249	625
4	30,130	55,741	4,646	2,323	2,144	1,072	39,169	3,265	1,633	1,507	754
5	35,280	65,268	5,439	2,720	2,511	1,256	45,864	3,822	1,911	1,764	882
6	40,430	74,796	6,233	3,117	2,877	1,439	52,559	4,380	2,190	2,022	1,011
7	45,580	84,323	7,027	3,514	3,244	1,622	59,254	4,938	2,469	2,279	1,140
8	50,730	93,851	7,821	3,911	3,610	1,806	65,949	5,496	2,748	2,537	1,269
For each add'l family member, add	5,150	9,528	794	397	367	184	6,695	558	279	258	129