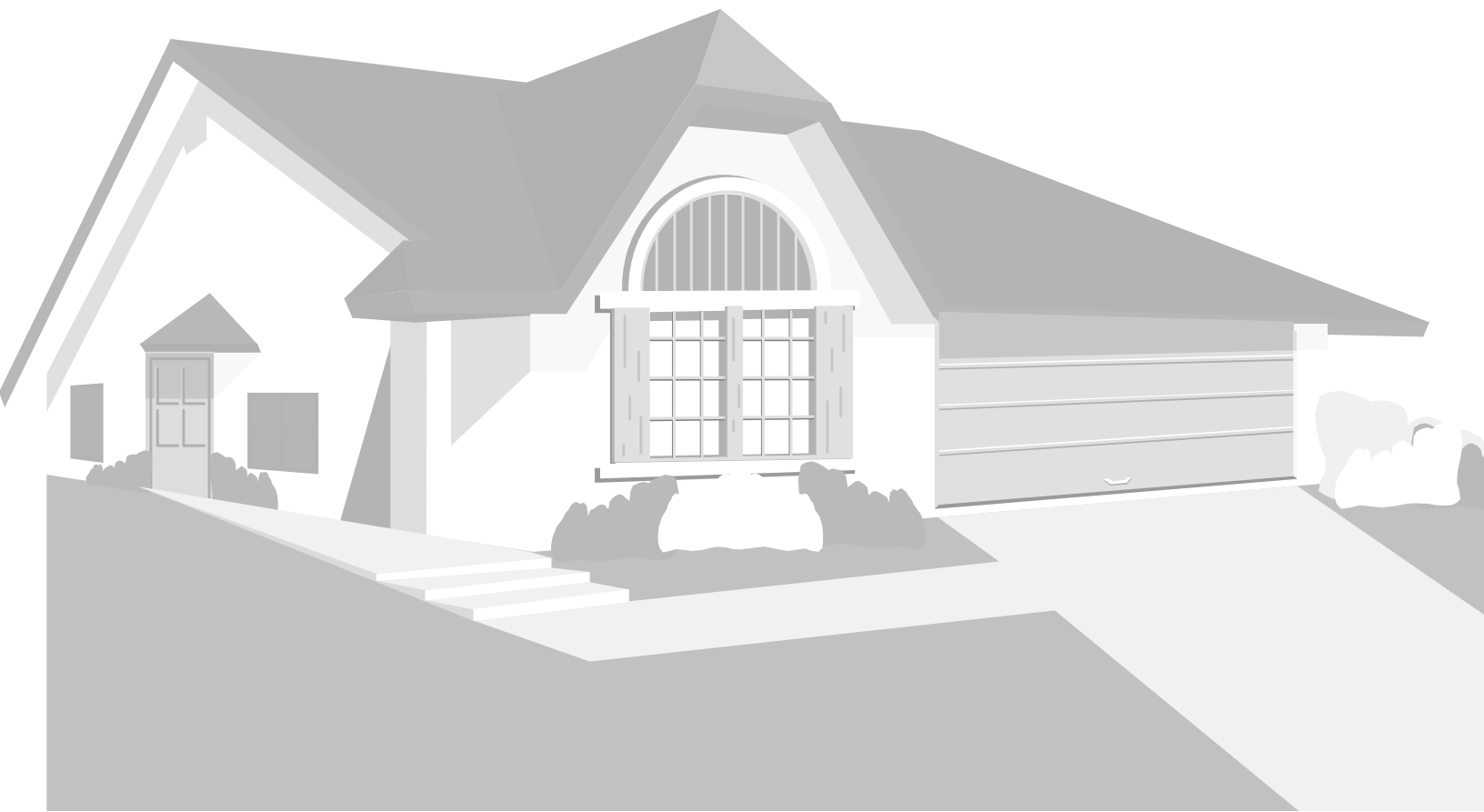


Guidelines

for the Michigan Principal Residence Exemption Program



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These guidelines are compiled questions and answers from the previous four volumes published. It amends outdated information and includes new information.

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Chapter 1. Filing Deadlines

1. Is there a filing deadline to request a principal residence exemption?

Yes. There are two deadlines by which a Principal Residence Exemption may be filed. The deadlines for a property owner to file a *Principal Residence Exemption (PRE) Affidavit* (Form 2368) for taxes are on or before June 1 or on or before November 1.

2. Where can I get a *Principal Residence Exemption (PRE) Affidavit* (Form 2368)?

Form 2368 and other principal residence exemption forms should be available from your local assessor or at www.michigan.gov/PRE.

3. What year's taxes are affected by the principal residence exemption?

A valid Form 2368 submitted to the local tax collecting unit on or before June 1 will reduce that year's summer and winter taxes and future years taxes as long as the property is owned and occupied as your principal residence. A valid Form 2368, submitted after June 1 but on or before November 1 will reduce that year's winter taxes and future year's taxes as long as the property is owned and occupied as your principal residence.

4. If I was eligible for the exemption on May 1st, but did not file timely, may I still file my claim?

An owner who owned and occupied a principal residence on May 1 for taxes levied before January 1, 2012 for which the exemption was not on the tax roll may file an appeal with the July board of review or December board of review in the year for which the exemption was claimed or the immediately succeeding 3 years. For taxes levied after December 31, 2011, an owner who owned and occupied a principal residence on June 1 or November 1 for which the exemption was not on the tax roll may file an appeal with the July board of review or December board of review in the year for which the exemption was claimed or the immediately succeeding 3 years.

5. May an assessor deny an erroneous claim for a principal residence exemption?

Yes. MCL 211.7cc(6) allows an assessor to deny a new or existing claim for a principal residence exemption if the assessor believes that the property for which an exemption is claimed is not owned or occupied as a principal residence of the person claiming the exemption. An assessor may deny a claim for a principal residence exemption for the current and three immediately preceding calendar years. An assessor should use the *Notice of Denial of Principal Residence Exemption (Local City/Township)* (Form 2742) to deny a principal residence exemption. The principal residence exemption is removed by the assessor from the tax roll at the time the notice of denial is issued.

6. May a closing agent be held liable by a buyer or seller if the buyer is not granted a principal residence exemption because the closing agent did not provide the appropriate forms at closing, or did not submit their forms timely?

No. Closing agents are required to provide an affidavit and rescind form at closing. However, MCL 211.7cc(18) provides that there is no legal course of action against the closing agent, by the buyer or the seller, if the agent fails to provide Form 2368, or fails to file the form with the local tax-collecting unit when requested to do so by the buyer or seller. Therefore, it is important for the seller and buyer to confirm that the appropriate forms have been received and acted upon by the assessor.

7. What are the qualifications to be able to appeal under MCL 211.7cc(18)?

The sale must have taken place after December 31, closing statement preparer did not properly present Form 2368 or did not file the form with the local tax collecting unit if requested to do so. The buyers may appeal to the Department of Treasury within 30 days of their first notification that an exemption was not recorded.

8. What information must be submitted with a MCL 211.7cc(18) appeal?

- A. Copy of warranty deed or land contract to verify ownership.
- B. Copy of driver license, voter registration, or other documents to verify occupancy.
- C. Completed Form 2368.
- D. A letter indicating what years you are appealing.

Mail the information to:
Principal Residence Exemption Unit
P.O. Box 30440
Lansing, MI 48909.

Chapter 2. Residency

1. Who is a Michigan resident?

You are a Michigan resident if Michigan is your permanent home. Your permanent home is the place you intend to return to whenever you go away. A temporary absence from Michigan, such as spending the winter in another state, does not make you a part-year resident.

2. What determines principal residence?

Michigan law defines principal residence as the one place where a person has his or her true, fixed, and permanent home to which, whenever absent he or she intends to return and that shall continue as a principal residence until another principal residence is established. In order to verify a person's claim that a particular property is a principal residence, the Department of Treasury will accept various documents that, taken together, establish that the person or persons filing the claim occupy the property as a principal residence. Examples include driver's license, voter registration card, cancelled checks listing the property address, statements such as medical, bank or charge accounts, income tax records indicating the mailing address and insurance policies. No one of these factors taken alone is controlling over any other factor.

3. I own two homes in Michigan. For which home do I claim exemption?

Claim the exemption for the home you occupy as
(Revised May 2018)

your principal residence (*see the tests in #2 of this section*).

4. I have a home in Michigan and one in another state. May I claim an exemption on my Michigan home?

You may claim the principal residence exemption if you meet all of the criteria below:

- A. You are a resident of the State of Michigan (*see #1 of this section*).
- B. You own and occupy the home as your principal residence (*see #2 of this section*).
- C. Neither you, nor your spouse if you file a joint income tax return, receive an exemption, deduction, or credit substantially similar to the Michigan principal residence exemption on property you own in another state.
- D. You have not filed a non-resident Michigan income tax return.
- E. You have not filed a tax return as a resident of another state.

5. I own property in Michigan, but moved to another state and have established residency there. May I still claim my Michigan home?

No. Only Michigan residents are eligible for this exemption. If you wish to re-establish Michigan residency in order to claim this exemption, you must do so before the filing deadlines. Re-establishing your residency would include such things as registering to vote in the township or city where your home is located; registering your vehicle in Michigan; and getting a Michigan driver's license or a Michigan personal identification card. As a Michigan resident you may be liable for Michigan income taxes.

6. I temporarily work and live outside Michigan (e.g. teaching sabbatical, military assignment), but remain a Michigan resident and own a home in Michigan. May I claim an exemption on my Michigan home?

Yes, if you intend to return to the property as a principal residence and do not rent the home to another person.

Chapter 3. Ownership

1. May renters file for this exemption?

No. You must own your principal residence to claim an exemption on it.

2. My children co-own my home. Do they also have to sign the affidavit even though they don't live with me?

No. Only co-owners who occupy the home as their principal residence should be listed on the affidavit and sign it. If your children also own and occupy their own home they may file a claim for their principal residence, not yours.

3. My children own my home, but I hold a life estate. May I claim the exemption?

Yes. Complete Form 2368 using your name, address, social security number and signature. Your children should not sign Form 2368.

4. I own my home but rent an apartment closer to my work. My apartment address is where I'm registered to vote and is the address on my driver's license. May I still claim my home?

No. Your apartment is considered your principal residence, because you vote in the township where the apartment is located and the apartment is the address on your driver's license.

5. I purchased my principal residence on a land contract. May I claim the exemption?

Yes. Complete Form 2368 using your name, address, social security number and signature, not the information of the land contract holder.

6. I am leasing my home with an option to buy. May I claim my home?

No. Leasing with an option to buy is considered a rental agreement so the home is ineligible. Once you exercise the option to buy, you may claim an exemption.

7. I am a senior citizen living in my home. I sold my home to my daughter and did not keep a life estate, but we have a verbal agreement that I may remain here until I die or choose to leave. May I claim my home?

No. Any ownership interest must be in writing to be valid. For principal residence exemption purposes, a notarized or recorded agreement helps ensure that the ownership interest was timely created and not predated following an audit of a person's principal residence exemption. However, by law, the agreement does not need to be notarized or recorded.

8. My sister and I each own and occupy a separate home on the same parcel of property, which we co-own. May we claim an exemption for both homes?

Yes. If the values of the homes are equal, you would each be entitled to a 50% exemption.

9. The owners of a property deeded their home to an LLC that they own. They still occupy the home. Are they entitled to a principal residence exemption?

No. MCL 211.7cc states that the owner of property may be entitled to a principal residence exemption. MCL 211.7dd defines an owner as a "person" except in specifically identified exceptions. It further defines person as an individual for purposes of MCL 211.7cc. The LLC owns the home, the individual owns the LLC, and therefore the property does not qualify for a principal residence exemption.

10. I am building a home on property I lease. Am I entitled to a principal residence exemption?

Yes, once the house is completed and you move in. You are only entitled to a principal residence exemption on the house; the value of the land must be computed separately from the house.

Chapter 4. Qualified Principal Residence Property

1. I have moved several times in the last year. Which home do I claim?

You should claim the exemption on the property you own and occupy as your principal residence on the date you file the affidavit.

2. My home is on a 40-acre parcel classified as residential. Are all 40 acres eligible for exemption?

Yes. Your principal residence includes the entire parcel that your home sits on, *unless you rent part of the land to another person or it is used for business purposes.*

3. I have a rural home on a 20-acre parcel. My home is classified as residential property. I also own the adjoining 80-acre residential parcel that is unoccupied. What may I claim?

You may claim an exemption on both parcels. The 80-acre parcel is unoccupied, classified as residential, and is contiguous to the parcel that is your principal residence, so you are eligible for the exemption on both properties.

4. Is it possible to receive an exemption on more than one home?

Yes, but only for a limited period of time. If you owned and occupied a new principal residence on or before June 1 or November 1 and timely filed Form 2368, you are entitled to a PRE for that year's summer and/or winter taxes. When you timely rescind the exemption on your old property, it will not take effect until December 31st of the year the rescind is filed. In addition, MCL 211.7cc(5), allows an owner to retain a principal residence exemption on property previously exempt as that owner's principal residence for up to three years if that property is not occupied, is for sale, is not leased, and is not used for any business or commercial purpose by filing a *Conditional Rescission of a Principal Residence Exemption* (Form 4640).

5. I own the lot adjoining and contiguous to my home. It has a different property identification number than the parcel on which my principal residence is located. May I also claim an exemption on this property?

You may claim an exemption on this property as long as the property claimed is adjoining or contiguous to your home. It must also be classified residential or timber cutover and be unoccupied. A road does not break contiguity. File a Form 2368 for each parcel.

6. I own two adjoining parcels and my house is built on both parcels. May I claim both parcels?

Yes.

7. I own the parcel adjoining to my home. There is a home on the adjoining parcel that I rent out. May I claim an exemption on this parcel?

No. The property does not qualify for a principal residence exemption because it is not unoccupied. A property is not unoccupied if it contains a habitable dwelling.

8. A taxpayer owns a residential lot next to a principal residence. The lot has garage and guesthouse. The guesthouse is only used by his family. What percent exemption would that parcel qualify for, and why?

0%. A guesthouse is a habitable dwelling. Therefore, the property is not considered unoccupied.

9. I own and occupy my home and I am filing an exemption claim for that home. I also own a contiguous piece of property with a home on it that my children occupy. May I also claim that home?

No. Only your principal residence may be claimed, even if your children do not pay rent.

10. What must be the classification of an unoccupied, contiguous or adjacent property to my principal residence that I own in order to qualify for a principal residence exemption?

It must be classified as either residential or timber cutover.

11. My spouse and I each own and occupy separate homes. We file our Federal and State tax returns as married filing separately. May we each claim our home?

Yes. Spouses who maintain separate principal residences may each claim his or her principal residence unless they file a joint Federal and State income tax return.

12. My home is in a licensed trailer park. My garage and shed are taxable. May I claim this exemption for the garage and shed?

Yes.

13. How must a taxpayer's home be classified to qualify for exemption?

A home can be any classification as long as the taxpayer owns and occupies it as their principal residence.

14. I live in a nursing home, an assisted living facility, or another location solely for purposes of convalescence but still maintain my home. May I retain an exemption on the home I own?

In accordance with MCL 211.7cc(5), an owner who previously occupied the property as his or her principal residence but presently resides in a nursing home, an assisted living facility, or another location solely for purposes of convalescence, may retain the exemption if he or she manifested an intent to return to the property by *satisfying all of the following conditions*:

- a). The owner continues to own the property while residing in the nursing home, assisted living facility, or other location;
- b). The owner has not established a new principal residence;
- c). The owner maintains or provides for the maintenance of the property while residing in the nursing home or assisted living facility; and
- d). The property is not leased and is not used for any business or commercial purpose.

15. I live in a nursing home or an assisted living facility and still maintain a home which is not rented. I do not expect to return to the home. Am I still entitled to a principal residence exemption on my home?

No, because there is no expectation to return to your former residence.

16. I own a condominium and a boat slip, which have separate property identification numbers. The common area for my condo adjoins the common area of my boat slip. May I claim an exemption for the boat slip?

No. You do not own and occupy the common areas of your condominium. Therefore, the boat slip would not qualify.

17. If a person is in a nursing home and claims a property tax credit on the nursing home, are they still entitled to claim a principal residence exemption?

No. A person may have only one principal residence. Both the income tax credit and the property tax exemption are based on the taxpayer's principal residence. Therefore, if the taxpayer claims one the other cannot be claimed.

18. A person owns a property with two dwellings on it; the second dwelling has water service but no kitchen or bathroom. Should the exemption be prorated?

Yes. If both structures are assessed as dwellings, the exemption must be prorated based on the portion of the taxable value of the property used as the principal residence.

19. An owner has an attached garage with an upper level that was used for storage. The owner converted the storage space to an apartment. Is the owner still entitled to an exemption?

Yes, but not a 100% exemption. The owner is only entitled to that portion of the taxable value of the property used as the principal residence of that owner.

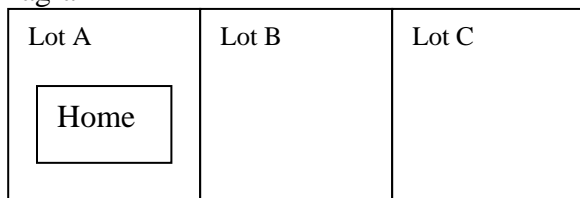
20. An owner owns property in a resort/lake area. The owner occupies the home the majority of the year but rents it out during the summer and takes an apartment in town. Is the owner entitled to a 100% principal residence exemption, a reduced exemption, or no exemption?

Michigan law does not make any provision for granting a partial exemption based on the percentage of the year that the owner occupied the home 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 their tax return. An owner that would be required to declare rental income on their home is not entitled to a principal residence exemption on that property. Therefore, if an owner rents his property for more than 14 days a year, the property is not entitled to a principal residence exemption.

21. Does contiguous mean that there must be a common boundary, or can contiguous touch contiguous?

A. Contiguous may touch contiguous. In the diagram below, if the owner of Lot A owns both Lot B and Lot C, and Lot A is qualified for a principal residence exemption, and both lots B and C are classified residential or timber cutover and unoccupied (unoccupied means no habitable dwelling) then Lot C is contiguous to Lot A through Lot B.

Diagram I



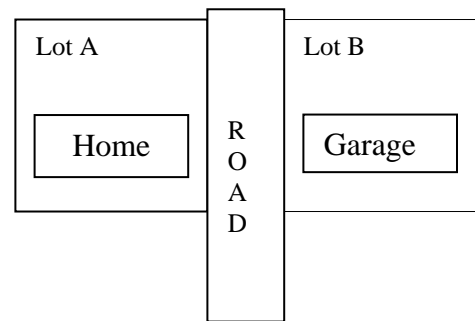
B. If Lot B is not classified as residential or timber cutover, or if B has a habitable dwelling, then Lot B does not qualify and Lot C would no longer be contiguous and would not qualify.

22. In the diagram below, Lot A is a qualified principal residence exemption property. Lot B is owned by the owner of Lot A and is classified

residential, and the building is assessed as a garage. Is Lot B eligible for an exemption under the rules of contiguity?

Yes. Contiguity is not broken by a road, a right of way, or property purchased or taken under condemnation proceedings by a public utility for power transmission lines if the two parcels separated by the purchased or condemned property were a single parcel prior to the sale or condemnation. See example below.

Diagram II



23. In Diagram II, Lot B be is contiguous to Lot A. Would the owner qualify for exemption if there were an apartment in the garage?

No. The property would not be considered unoccupied.

24. Is a contiguous parcel considered eligible for a principal residence exemption if it has a residence on it that is only being used for storage?

If the only use of the structure on the property is for storage purposes and the structure is not habitable, the taxpayer may qualify for a principal residence exemption. The taxpayer has the burden to show that the property is unoccupied.

25. My wife and I own two homes in Michigan; our main home in southeastern Michigan and a cottage up north. In March 2004, we decided to put the southeastern Michigan home up for sale and live at our cottage up north. We listed the house with a realtor, rescinded the principal residence exemption on the house, and moved to our cottage. We requested, and received, a principal residence exemption on our cottage. We have not been able to sell our other home

and plan to move back there in March of 2005. Can we rescind the exemption on our cottage, and reclaim the exemption on our other home in 2005?

No. MCL 211.7cc(2)(e) prohibits the reclaiming of rescinded exemptions when property ownership has not changed, and either of the following conditions are met:

- A. That person has claimed an exemption under this section for any other property for that tax year.
- B. That person has rescinded an exemption under this section on other property, which exemption remains in effect for that tax year, and there has not been a transfer of ownership of that property.

Therefore, you are not eligible for a principal residence exemption on your southeastern Michigan home in 2005 since the principal residence exemption you were granted on your cottage remains in effect until December 31, 2005.

26. My wife and I own our home in southern Michigan and we own a cottage up north. Because of the high price of lake front property, our cottage is now worth more than our home. Can we transfer our principal residence exemption to the cottage? We would still only be claiming one exemption.

No. The principal residence exemption only applies to the property you own and occupy as your principal residence.

Chapter 5. Multi-Purpose Property

1. I live in part of my home and operate a business in another part. May I claim an exemption?

Yes, you may claim a partial exemption even if the property is classified commercial, but only on the portion that is owned and occupied as your principal residence. Complete line 12 of Form 2368.

2. I provide childcare in my home. Do I need to complete line 12 of the *Principal Residence Exemption (PRE) Affidavit (Form 2368)*?

No. You may claim your entire home as a principal residence. This also applies to owners that provide care to foster children.

3. I rent a room in my home to a boarder. May I still claim an exemption?

Yes. If more than 50 % of your home is used as your principal residence, you may claim an exemption for your entire home. If you use 50 percent or less of your home as a principal residence, enter the percentage of your home that you occupy on line 12 of Form 2368.

4. My mother lives in my home in a separate area, but does not pay rent. Is her living area part of my principal residence?

If your mother's area has a separate entrance and does not have an adjoining entrance to your living area, then her living area is not part of your principal residence and is not eligible for this exemption. If there is a common entrance, question 3 applies.

5. I own a duplex and live in one unit. My father lives in the other unit, but does not pay rent. May I claim an exemption on both units?

No. You may claim an exemption only on the unit you occupy as your principal residence even if there is an adjoining entrance between the units. Complete line 12 of Form 2368.

6. I own a duplex and occupy both halves; can I get a 100% principal residence exemption?

No. A duplex is assessed as a multiple unit dwelling. An owner may occupy part or the entire dwelling but is only entitled to an exemption on one unit. A duplex, or any other multiple-unit dwelling, is assumed to have the additional units for the purpose of renting or leasing them out. It is a business property. Because one unit of the duplex, or one or more units in a multiple unit dwelling is unoccupied, does not change the essential nature of

the dwelling. If an owner is using both units of a duplex as a personal principal residence, then the owner needs to get the dwelling reclassified as a single-family dwelling in order to be eligible for a 100% principal residence exemption.

7. If there are two separately owned homes on the same parcel, not split, which gets the exemption?

If one of the owners was also the owner of the parcel, that owner would be entitled to a partial exemption based on the portion of the property he or she occupied as their principal residence. The owner of the other home would not be entitled to an exemption. If both owners were on the deed, then each would be entitled to partial exemption, based on the relative values of the dwellings. The combined exemption should total 100%.

8. If a house is 60% owner occupied, and 40% tenant occupied, what percentage is allowed?

A single-family dwelling used as the principal residence of the owner, where less than 50% of the total square footage is rented as the principal residence of the tenant, is entitled to a 100% exemption.

9. I own an 8-unit apartment building classified as commercial property and one unit is my principal residence. May I claim an exemption on my unit?

Yes. Complete line 12 on Form 2368.

10. I operate a bed and breakfast. May I claim a principal residence exemption?

The owner is entitled to a portion of the principal residence exemption based upon the square footage of the property used exclusively as that owner's

principal residence and 50% of the square footage of the property's common areas.

Chapter 6. Cooperative Housing Corporations

1. I am a shareholder in a cooperative housing corporation. May I claim the exemption?

Shareholders in a cooperative housing corporation may qualify for the principal residence exemption. Your claim should be filed with the cooperative. The cooperative must then compile information and file an affidavit with the local assessing unit.

2. Is a cooperative housing corporation eligible for the principal residence exemption? What must be filed?

A cooperative housing corporation is entitled to a full or partial exemption. They must file the following:

- A. Form 2368.
- B. A statement of the total number of units owned by the cooperative housing corporation and occupied as the principal residence of a tenant stockholder.
- C. A list that includes the name, address, and social security number of each tenant stockholder of the cooperative housing corporation occupying a unit in the cooperative housing corporation as his or her principal residence.
- D. A statement of the total number of units of the cooperative housing corporation on which an exemption under this section was claimed and that were transferred in the tax year immediately preceding the tax year in which the filing under this section was made.

Chapter 7. Estates and Trusts

1. If a home has been placed in a grantor trust, who should sign the *Principal Residence Exemption (PRE) Affidavit*, (Form 2368)?

The grantor is considered the owner and should sign Form 2368.

2. What if the grantor is unable to sign Form 2368?

The trustee may sign on the grantor's behalf. Complete the form using the grantor's name and social security number.

3. As the beneficiary of a trust, when are you considered eligible for a principal residence exemption?

Upon the death of the grantor of the trust, provided you occupy the property as your principal residence.

4. The deceased owner of the principal residence had a will specifying that the person who was occupying the principal residence was to inherit it. May the beneficiary claim an exemption?

Yes, the beneficiary must file Form 2368. For purposes of the exemption, the beneficiary is considered the owner upon the death of previous owner.

5. The owner of the principal residence died before the filing date without a will, but had only one heir who occupies the home as his/her principal residence. May the beneficiary claim an exemption?

Yes, see question 4 of this section.

6. The owner of the principal residence died. Before his/her death, the owner placed the property in a revocable trust that specified that the surviving spouse was a life beneficiary. The surviving spouse occupies the home as a principal residence. Can he/she claim the exemption?

Yes. Upon the death of the grantor of the trust, the life beneficiary is considered the owner of the home and may claim a principal residence exemption on the property.

7. The surviving spouse is the life beneficiary of a decedent who died. The decedent transferred the home to the trust before death. The surviving spouse lives in another state and one of the adult

children of the decedent who lived with the decedent continues to occupy the home. May the occupant claim the exemption?

No. Since the owner of the home, the life beneficiary, does not occupy the home as a principal residence, neither the owner nor the occupant may claim an exemption.

8. A trust agreement gives the trustee discretion to distribute the home to any of the beneficiaries or to sell the home and distribute the proceeds to the beneficiaries. One of the beneficiaries occupies the home as a principal residence and continues to live there while the home is being sold by the trust. May the beneficiary/occupant claim an exemption?

Yes, see question 3 of this section.

9. The decedent co-owned the home, but the decedent's interest was placed in a revocable trust, which is now irrevocable. The surviving joint owner continues to occupy the home, but is not one of the decedent's beneficiaries. May the surviving joint owner file an exemption?

Yes. Since the surviving joint owner co-owns and occupies the property, he or she may claim an exemption.

10. A trust was created by a decedent's death before the filing deadline. Three properties were transferred to the trust. Two of the children are life beneficiaries and occupy the homes they inherited. The third home is unoccupied and is being sold. May the trustee file a claim for the home, which is for sale, on behalf of the trust?

No. The trust cannot occupy the home as a principal residence. The life beneficiaries may claim their respective home, which they occupy as their principal residences.

11. I have placed property in an irrevocable, qualified personal residence trust. The property will be my children's in 20 years. The property is my principal residence. May I claim a principal residence exemption on this property?

Yes. The Internal Revenue Service allows individuals to place their personal residences in a qualified personal residence trust. The individual (grantor) must continue to occupy the property as a personal residence.

As long as the home is the grantor's principal residence on the date Form 2368 is filed, the grantor may claim an exemption.

12. A person that qualified for a principal residence exemption, but did not file, dies. Can the estate file on the owner's behalf to recoup taxes for prior years?

Yes.

Chapter 8. Social Security Numbers

1. Can the State of Michigan require my social security number? Will it be kept confidential?

The Department of Treasury has the legal authority to use social security numbers for tax purposes. Federal law prohibits the state or local governmental units from releasing a social security number to unauthorized persons. Local governmental units may not use social security numbers for any purpose other than to administer the principal residence exemption.

2. Will I receive the principal residence exemption if I do not enter my social security number?

The Department of Treasury may deny a claim if an owner refuses to provide his or her social security number on written request from the Department of Treasury.

Chapter 9. Rescinding an Exemption

1. What is a rescission? When is the exemption removed from the tax roll?

The parcel qualified for exemption but has now been sold or the use of the property has changed. The exemption is removed from the tax roll on December 31 of the year in which the change or sale took place.

(Revised May 2018)

2. When I file an exemption on my new residence, what happens to the exemption on the residence I sold?

The exemption remains in effect until December 31 of the year you no longer own or occupy as a principal residence. You must rescind your exemption within 90 days of the date you no longer either own *or* occupy the property as your principal residence, whichever comes first.

3. Treasury notified the assessor to deny an exemption because a rescind was not filed; however, a *Principal Residence Exemption (PRE) Affidavit (Form 2368)* is on file for the purchaser. Does the assessor have to deny the exemption?

No. If a valid affidavit is on file from the current owner, do not deny the exemption.

4. What happens if a lender foreclosed on a mortgage?

Although the owner/mortgagor is considered an owner through the redemption period, the PRE does not automatically remain on the property until the redemption period ends. The owner/mortgagor must continue to occupy the property as a principal residence during the redemption period to continue to qualify for the PRE. If the owner/mortgagor no longer occupies the property as a principal residence during the redemption period, a *Request to Rescind Principal Residence Exemption* (Form 2602) must be filed and the PRE would be removed on December 31st in the year in which the property is no longer occupied by the owner/mortgagor as a principal residence.

5. I am moving into a new home and converting my current home to a rental property in November. Do I have to rescind the exemption on my current home?

Yes, within 90 days of moving. The exemption will remain in place until December 31st of the year that the use was changed from your principal residence to a rental property.

6. Treasury may assess a \$5.00 per day penalty for failure to rescind an exemption. Is this penalty optional and who will enforce it?

Under MCL 211.7cc(5), as amended, the Department of Treasury may assess \$5.00 per day penalty up to \$200.00. This penalty applies to transfers or changes of use that occurred on or after October 1, 1994. The Department of Treasury may waive the penalty under certain circumstances.

7. When a divorce occurs, do new principal residence exemption forms have to be filed?

As long as one of the owners still occupies the home as their principal residence, and the original affidavit was filed jointly, the property will still qualify. The owner who no longer owns the property should file a rescission form using their information.

Chapter 10. Denials

1. What years may be denied using a Notice of Denial (Form 2742 or 4075)?

Counties that have opted-in with the Department of Treasury and local units may issue denials for the current year and three immediately preceding years.

2. Is the exemption removed from the tax roll at the time the notice of denial is done?

Yes.

3. Does the July or December Board of Review have the authority to issue a Notice of Denial or a rescission?

The Board of Review may deny claims for a principal residence exemption that are not on the tax roll (new claims) and have not been previously denied. The Board of Review may not deny an existing principal residence exemption or issue a rescission.

4. What should be done when an exemption is still on the tax rolls because it was not rescinded by a taxpayer?

For any year that an exemption should have been rescinded and was not, the exemption should be denied.

5. Can an appeal be made to the Board of Review to overturn a denial?

No. The Board of Review has no authority to overturn a denial. An appeal of denial of a principal residence exemption issued by a county or a local unit must be made to the Residential/Small Claims Division of the Michigan Tax Tribunal. An appeal of a denial issued by the Department of Treasury must be made to the Department of Treasury, Hearings Division.

6. If an assessor does a local unit denial, can he/she withdraw the denial?

No. Once a denial has been sent to the taxpayer, the only way to overturn the denial is through the appeals process with the Michigan Tax Tribunal. The local unit may appeal to the Michigan Tax Tribunal on the taxpayer's behalf.

7. What action should be taken when an assessor discovers an exemption has been carried forward for several years without a *Principal Residence Exemption (PRE) Affidavit (Form 2368)* having been filed?

The assessor should deny the current year and up to three prior years.

8. Do denials occur only if a *Principal Residence Exemption (PRE) Affidavit (Form 2368)* has been filed? Can you deny a carryover?

If an exemption is on the tax roll, then a denial can be done to remove it from the tax roll.

9. If a local unit or an opt-in county has doubts about the legitimacy of a claim for a principal residence exemption and the Department of Treasury is unable to supply information because of privacy considerations, should we deny the exemption?

If you are unable to verify that the property being claimed qualifies for a principal residence

exemption, you should deny the claim. The taxpayer may appeal to the Residential/Small Claims Division of the Michigan Tax Tribunal within 35 days of the denial. An appeal to the Michigan Tax Tribunal can be initiated by the timely filing of a petition. The petition must be a Michigan Tax Tribunal form or a form approved by the Michigan Tax Tribunal. Michigan Tax Tribunal forms are available at www.michigan.gov/taxtrib. You can print the form (i.e., Petition for Denial of Exemption for Principal Residence/Qualified Agricultural) and mail the completed form to:

Michigan Tax Tribunal
PO Box 30232
Lansing, MI 48909

or complete the form online and submit it electronically, if provided for by the Tribunal.

Chapter 11. Denial Appeals

1. If my exemption is denied, may I appeal the decision?

Yes. If the Department of Treasury denies your principal residence exemption, you may request an informal hearing with the Department of Treasury, Hearings Division within 35 days of the denial. If the Hearings Division upholds the denial, you may appeal to the Residential/Small Claims Division of the Michigan Tax Tribunal within 35 days of Treasury's Final Decision. If the county or local unit denies your principal residence exemption, you may appeal to the Residential/Small Claims Division of the Michigan Tax Tribunal within 35 days of the denial. An appeal to the Michigan Tax Tribunal can be initiated by the timely filing of a petition. The petition must be a Michigan Tax Tribunal form or a form approved by the Michigan Tax Tribunal. Michigan Tax Tribunal forms are available at www.michigan.gov/taxtrib. You can print the form (i.e., Petition for Denial of Exemption for Principal Residence/Qualified Agricultural) and mail the completed form to:

Michigan Tax Tribunal
PO Box 30232
Lansing, MI 48909

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or complete the form online and submit electronically, if provided for by the Tribunal.

2. May a local unit assessor or treasurer, or a county treasurer appeal a denial issued by the Department of Treasury on the taxpayer's behalf?

No. They may, however, submit written information supporting the claim on the owner's behalf within 35 calendar days of the date the denial is issued. The Department of Treasury will consider the submitted information, but it is not treated as an appeal.

3. If an owner's exemption is reinstated as the result of an appeal of a denial, how are refunds issued?

The local or county treasurer in possession of the tax roll issues the refund. The refund will include any interest or penalty the owner paid on non-principal residence taxes and is issued within 30 days of the date notice is received. Refunds will not accrue interest.

4. If I request a hearing from the Department of Treasury or the Michigan Tax Tribunal, does that extend the period of time in which I may pay my corrected tax bill with no penalty or interest?

No. A request for hearing does not extend your payment period for any supplemental taxes. In addition, interest continues to accrue during the appeal process.

5. What happens with land divisions that create parcels that end up with prior taxes due because of principal residence exemption errors?

The owners should be re-billed using appropriate parcel identification numbers.

Chapter 12. Board of Review

1. What may be appealed to the Board of Review (BOR)?

An owner who owned and occupied a principal residence on May 1 for taxes levied before January

1, 2012 for which the exemption was not on the tax roll may file an appeal with the July board of review or December board of review in the year for which the exemption was claimed or the immediately succeeding 3 years. For taxes levied after December 31, 2011, an owner who owned and occupied a principal residence on June 1 or November 1 for which the exemption was not on the tax roll may file an appeal with the July board of review or December board of review in the year for which the exemption was claimed or the immediately succeeding 3 years.

2. If I filed my affidavit timely, but my local government misplaced my form, may I appeal?

Yes. You may appeal to the local Board of Review during the year of the claim or the next succeeding 3 years. You may appeal by mail or in person by submitting a claim for exemption. (Example: A claim for exemption in 2010 may be appealed to the July or December Board of Review in any year from 2010 to 2013.)

3. If a property owner wishes to appeal to the December Board of Review, by what date must the local assessor's office receive the appeal?

The appeal must be received at least 5 days prior to the date the Board of Review is set to convene.

Contact the local assessor's office for date and times.

4. May a township convene a Board of Review in July to consider principal residence exemption appeals when no summer tax is levied?

In STC bulletin #15 of 1997, the State Tax Commission gave the following answer: *At the July board of review, a local unit may consider appeals of principal residence exemptions and qualified agricultural property exemptions, which were not on the tax roll even if the unit does not have a summer tax. The State Tax Commission recommends that all assessing units hold a July board of review, even if there is no summer levy of local school operating taxes, if there is principal residence or qualified agricultural property exemption business.*

5. May the local assessor or Board of Review deny an existing principal residence exemption?

Starting in 1995, if the local assessor has reason to believe that a principal residence exemption should not be granted, the assessor must either deny the exemption for the current year or provide the Department of Treasury with the reasons for denial so the Department of Treasury may formally deny the exemption. **The Board of Review may not deny an existing principal residence exemption.**

However, claims for principal residence exemption that are not on the tax roll (new claims) and have not previously been denied may be appealed to the Board of Review.

6. May the assessor appeal to the July or December Board of Review without an affidavit from the owner?

An appeal to the July or December Board of Review may be done in person or in writing. However, to appeal to the board for a principal residence exemption, the owner must complete and submit Form 2368. If the assessor has an affidavit which was not posted to the tax roll in either the current year or 3 preceding years, it may be presented to the July or December Board of Review as a written appeal.

7. A taxpayer inquires at the local assessor's office as to why they did not receive their 2000 principal residence exemption. Upon researching, the assessor finds out that he was supposed to take the request to the December 2003 Board of Review, but did not. What can the local assessor do to correct the error or omission?

There is no legislation that would allow anything to be done for the 2000 tax year. Principal residence exemptions **may not** be taken to the Board of Review as an error or omission.

8. Can principal residence exemption issues be addressed at the March Board of Review?

No. Principal residence exemption issues can only be addressed at the July and December Boards of Review.

9. If the owner disagrees with the decision of the Board of Review to deny a principal residence exemption claim that was not on the tax roll, does the owner have any further avenues for appeal?

The owner has the right to appeal the decision of the Board of Review to the Department of Treasury within 35 days of the board's decision.

Chapter 13. Corrective Billing Procedures

1. How can the county treasurer prove the taxpayer received the supplemental tax bill to start counting the 60 days in which the taxpayer may pay with no additional interest?

There is a premise that if a bill is placed in the United States Postal System, the bill was received. If the supplemental tax bill was mailed to the last known address used to mail the taxpayer's property tax bills, then the burden of proof is on the taxpayer to prove that the supplemental tax bill was not received. Generally, the Department of Treasury will allow a reasonable amount of time for delivery by mail. The 35 days to request an informal conference will begin on that date. Delays in United States mail delivery that is not the fault of a taxpayer will be allowed if substantiated by the taxpayer. Acceptable proof includes the date of the postmark on the envelope or proof that the denial notice was mailed to an address other than the last known address of the taxpayer at the time the denial notice was mailed.

2. I purchased my home on May 16, 2011 and the Department of Treasury denied the seller's exemption for 2010 and 2011 on June 13, 2011. Am I responsible for the additional taxes on my home?

No. Under MCL 211.7cc, if the property has been transferred to a bona fide purchaser before additional taxes were billed to the seller as a result of the denial of a claim for exemption, the taxes, interest, and penalties shall not be a lien on the property and shall not be billed to the bona fide purchaser. The local tax collecting unit in possession of the tax roll notifies the Department of Treasury who then assesses the owner who claimed the (Revised May 2018)

exemption for the tax, interest, and penalties accruing as a result of the denial of the claim for exemption. In other words, the seller is responsible for all additional taxes, interest and penalties due for years up to and including the year of the sale if the purchaser is a bona fide purchaser.

In order for the Department to bill the seller, the tax collecting unit in possession of the tax roll must submit a *Request to Bill Seller Following a PRE Denial* (Form 4816), which can be found at www.michigan.gov/PRE.

3. Would a denial call for an immediate change of the tax roll, just as a Michigan Tax Tribunal order does?

Yes. When a denial is issued, the assessor must immediately change the tax roll, unless the assessor is in possession of a valid claim filed by a subsequent owner. The local or county treasurer, depending on who has possession of the roll, must issue either a corrected or supplemental tax bill for the additional non-principal residence taxes within thirty days. *See question #4 in this section for additional information.*

4. As the county treasurer, we were advised not to bill taxpayers based on the Department of Treasury's denial listing without checking with the local assessor first. How do we know when to issue a supplemental tax bill?

There are four instances where the tax should not be billed based on a Department of Treasury denial. This information should come from the local assessor or county equalization director. The four instances are:

- A. The assessor has received a timely filed claim for exemption from the buyer and the Department of Treasury is denying the seller. Or the assessor has received a timely filed claim from the seller and the Department of Treasury is denying the buyer.
- B. The name on the denial notice does not match the name on record for the owner indicating that the parcel number or revenue share code could be wrong.
- C. The principal residence exemption is being denied for property classified as agricultural and

an exemption for qualified agricultural property has been claimed.

- D. The property has been transferred to a bona fide purchaser.

There has to be communication between the local assessor, local treasurer, and county treasurer. The treasurers should verify information with the local assessor before issuing a corrected or supplemental tax bill as a result of a denial notice. If the Department of Treasury issued the denial notice, the county treasurer should submit a summary of the action taken (i.e.: date billed, amount billed, reasons for not billing, etc.)

5. What information must be submitted to the Department of Treasury with a bona fide purchase?

In order for the Department of Treasury to bill, submit a completed *Request to Bill Seller Following a PRE Denial* (Form 4816) and provide the relevant deeds and information requested on the Form 4816. The form can be found at www.michigan.gov/PRE.

6. Would a Quit Claim Deed with a good sales price qualify as a bona fide purchase?

Yes. The sale must be an arms length transaction for fair market value.

7. The Department of Treasury has stated in the past that a quit claim deed did not qualify as a bona fide purchase. However, other state information said the criterion was “valuable consideration.” If a Quit Claim Deed included “valuable consideration,” or a considerable dollar amount, would that be considered a bona fide purchase?

Yes, as long as the “valuable consideration” was equal to the fair market value of the property.

8. How far back can a bona fide purchase be billed for non-principal residence exemption taxes?

For all years denied.

9. When the assessor notifies the county treasurer to bill the non-principal residence exemption tax, should the assessor provide the treasurer with the name of the purchaser?

Assessors should notify the county treasurer to bill and give the applicable treasurer all available information. If it is a bona fide purchase, the required information should be included.

10. When billings are issued, does each tax year need to stand alone or can the denial be in 2003 and the tax bill be a combination of 2001, 2002 and 2003?

Taxes can be billed on the same bill, but they must be itemized. The taxpayer has the right to pay each year separately.

Chapter 14. Administrative Issues

1. Can counties that have opted to audit their own principal residence exemptions under MCL 211.7cc(10) operate only from the leads provided by the Department of Treasury, or can they do their own research and investigations?

Counties may use their own resources to investigate principal residence exemptions.

2. Where do I find principal residence exemption forms?

Forms are available at www.michigan.gov/PRE.

3. Do county treasurers or county equalization directors have the authority to deny principal residence exemptions?

Yes. Counties that have opted to audit their own principal residence exemptions have the authority to deny principal residence exemption claims for the current year and the three immediately preceding years.

4. What action should be taken if an assessor discovers that a property was sold several years earlier and the exemption was erroneously carried forward?

Deny the exemption if a valid affidavit is not on file. An exemption may be denied for the current year and up to three years prior.

5. If a 2001 tax year is denied and billed in 2004, and the taxpayer does not remit payment prior to the March 1, 2005, when does it become delinquent?

The tax bill becomes delinquent on March 1, 2005, the year after the tax bill was issued.

6. When billing denials, should we also bill for the 1% local administration fee that would have been on the original tax bill?

Yes. MCL 211.7cc does not effect the way other fees or penalties are billed.

7. If a county opted-in, do the local units within the county lose their ability to deny principal residence exemptions?

No. Local units have the ability to deny principal residence exemptions whether or not their county opted-in.

8. Can a county that has opted-in deny information regarding principal residence exemptions to local units?

When counties elected to opt-in, they took on leadership in auditing principal residence exemptions in that county. Best results would be achieved with county and local officials working together.

9. When a county opts-in, will the procedure for local units to gain confidential information be to contact the county?

Yes. However, before the county can disclose confidential information, the Department of Treasury must have approved signed disclosure form(s) on file for the person making the request.

10. If my county decides not to opt-in, how does that affect me as the local assessor?

You will continue to audit the exemptions as before.

11. Define confidential information, be specific.

All information gained from income tax records, (e.g., mailing address, filing status, residence status, social security numbers, etc.).

12. What is browsing?

Browsing means to inspect confidential information obtained from tax records for purposes other than the administration of the principal residence exemption.

13. Can principal residence exemption information be used to process other work within the office?

No.

14. Is there a procedure for notifying the Department of Treasury of employees that no longer need access to confidential information because of a change in duties, or because they are no longer employed by the local unit or county government?

Provide a written statement to the Department of Treasury, Disclosure Officer, that the person is no longer an employee, or that the employee's duties no longer include the need to access confidential information is sufficient.

15. Would password protection for files be a sufficient safeguard in lieu of signed agreements?

No.

16. If an assessor calls the county treasurer's office for information, how will the treasurer know if the assessor has signed the disclosure form?

The State will maintain a database of signed disclosure agreements.

Chapter 15. Other Questions

1. How will the principal residence exemption affect my homestead property tax credit claim?

This program is separate from the Homestead property tax credit claim (Form MI-1040CR or MI-1040CR-2) filed with your state income tax return. **Do not** file Form 2368 with your state income tax return. The exemption affidavit must be filed with your township or city assessor so the property tax rolls can be adjusted properly.

2. Is there an income limit for this exemption?

No.

3. On the bottom of Form 2368 and Form 2602 is a question for the local governments, “What is the first year you will post this exemption to the tax roll?” Do I enter the first year an exemption was claimed on that parcel of property by anyone, or the first year that particular taxpayer claimed an exemption for that property?

Enter the first year an exemption was claimed for that parcel of property by the owner identified by the social security number on the form.

4. If I file the *Property Transfer Affidavit* (Form 2766) upon purchase of my home, must I also file Form 2368?

Yes, if it is your principal residence file both forms. If Form 2368 is not filed, you will not receive the exemption. Failure to file the transfer affidavit can result in a penalty of \$5.00 a day up to \$200.00, plus any additional delinquent tax due.

5. May I list more than one parcel number on Form 2368?

No. A separate form is required for each property.

6. When a parcel is split, do taxpayers have to file a new Form 2368?

Yes. New property numbers are assigned when a parcel is split, or when a combination is done. If the

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parcel still qualifies as a principal residence, a new affidavit must be filed. If the old parcel number had a principal residence exemption, it must be rescinded.

How to contact the Principal Residence Exemption Unit:

Michigan Department of Treasury
Principal Residence Exemption Unit
PO Box 30440
Lansing MI 48909

517-373-1950

www.michigan.gov/PRE

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