

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** (MCL211.7u(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.