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DEPARTMENT OF TREASURY
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Bulletin 14 of 2019
October 14, 2019
Procedural Changes for 2020

TO: Assessing Officers and County Equalization Directors
FROM: State Tax Commission
SUBJECT: Procedural Changes for the 2020 Assessment Year

The purpose of this Bulletin is to provide information on statutory changes, procedural changes and reminders for the 2020 assessment year.

A. Inflation Rate Used in the 2020 Capped Value Formula

The inflation rate, expressed as a multiplier, to be used in the 2020 Capped Value Formula is 1.019.

The 2020 Capped Value Formula is as follows:

$$\text{2020 CAPPED VALUE} = (\text{2019 Taxable Value} - \text{LOSSES}) \times 1.019 + \text{ADDITIONS}$$

The formula above does not include 1.05 because the inflation rate multiplier of 1.019 is lower than 1.05.

B. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2020

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 \$21,330 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 \$21,330. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2020 assessments:

Size of Family Unit	Poverty Guidelines
1	\$12,490
2	\$16,910
3	\$21,330
4	\$25,750
5	\$30,170
6	\$34,590
7	\$39,010
8	\$43,430
For each additional person	\$4,420

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: P.A. 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 2020 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 2019 studies for 2020 equalization the dates are as follows:

- Two Year Study: April 1, 2017 through March 31, 2019
- Single Year Study: October 1, 2018 through September 30, 2019

Note that the time period revisions apply to all equalization studies, that is: sales ratio studies, land value studies and economic condition factor studies for appraisals. Also note that the revised time period for two year studies applies to all real property classifications.

Please be advised that the above sale study dates **are not** the same as the valuation date used in appeals before the Michigan Tax Tribunal. Evidence presented in a Tax Tribunal appeal should reflect the value of the property as of tax day (December 31). This means that sales occurring *after* March 31, 2019 and September 30, 2019 should still be considered and included when submitting evidence in a Tax Tribunal appeal involving the 2019 tax year.

D. Property Classification

The State Tax Commission reminds assessors that classification is to be determined annually and is based upon the use of the property and not highest and best use of the property. The

Commission is aware that some assessors are still classifying property according to highest and best use and/or are not classifying property on an annual basis. The Commission asks that all assessors take the necessary steps to ensure that all real and personal property is properly classified according to MCL 211.34c.

E. Public Act 660 of 2018, Property Assessing Reform

At their meeting on May 28, 2019 the State Tax Commission approved the Property Assessing Reform Proposal Frequently Asked Questions. The FAQ reflects changes to the General Property Tax Act as a result of PA 660 of 2018, and includes information about Property Assessing Reform, the designated assessor, boards of review and villages. A copy of the FAQ is available on the Commission's website at www.michigan.gov/statetaxcommission.

The State Tax Commission will be continuously updating its website with information regarding Property Assessing Reform, including bulletins, guidance and any required forms. Information on Property Assessing Reform is available on the State Tax Commission's website under the "What's New" section.

The Commission has also established a dedicated email for submitting questions related to Property Assessing Reform. Any questions concerning Property Assessing Reform should be directed to AssessingReformQuestions@michigan.gov.

F. Village Waiver

The State Tax Commission at their meeting on August 20, 2019 approved Form 5689 *Application for State Tax Commission Approval of Village Assessment*. MCL 211.10d(7) provides that a village that is located in more than 1 assessing district may, in a form and manner prescribed by the state tax commission, request state tax commission approval that the assessment of property within the village be combined with the assessment of property in 1 of those assessing districts.

The completed Form, with the required resolution and all other attachments, must be submitted to the State Tax Commission, PO Box 30471, Lansing, Michigan 48909.

Form 5689 and additional information for Villages is available on the State Tax Commission's website at www.michigan.gov/statetaxcommission under the Property Assessing Reform link.

G. Consolidating Boards of Review

PA 660 of 2018 allows Boards of Review across two or more contiguous local units to be combined. The governing bodies of each local unit may enter into an agreement to appoint a single board of review to serve as the board of review for each of the contiguous local units. PA 660 further states that the already existing requirements in MCL 211.28(1) – (5) should serve as a guide in determining the size, composition, and manner of appointment of a board of review. Those requirements are:

- At least 2/3 of the members must be property taxpayers of the township.
- Members appointed to the board of review shall serve for terms of 2 years beginning at noon on January 1 of each odd-numbered year.

- A member of the township board is not eligible to serve on the board or to fill any vacancy. A spouse, mother, father, sister, brother, son, or daughter, including an adopted child, of the assessor is not eligible to serve on the board or to fill any vacancy.
- At least 2 members of a 3-member board of review shall be present to conduct any business or hearings of the board of review.
- The township board may appoint 3, 6, or 9 electors of the township, who will constitute a board of review for the township. If 6 or 9 members are appointed as provided in this subsection, the membership of the board of review must be divided into board of review committees consisting of 3 members each.
- A township board may appoint not more than 2 alternate members for the same term as regular members of the board of review.
The size, composition, and manner of appointment of the board of review of a city may be prescribed by the charter of a city.

Any questions concerning consolidating boards of review should be directed to AssessingReformQuestions@michigan.gov.

H. Tax Tribunal Small Claims Division Hearings

Assessors should carefully read all notices, orders and other correspondence sent by the Tax Tribunal. Assessors should pay special attention to the Notice of Hearing and ensure they are available at the date and time of the scheduled hearing. It is important to appear at the hearing and to timely file with the Tax Tribunal and serve a copy to the taxpayer of all evidence and documentation you wish to be considered at the hearing.

Assessors representing their local unit in Tax Tribunal hearings need to submit evidence to support the value of the property under appeal. If the assessor is relying on the property record card as evidence of value, the property record card must be for the year(s) being appealed. The complete property record card, including all calculations should be provided; do not submit a property record card that states “calculations too long” and then fail to include the additional calculations. Also, it is important to submit the studies prepared that support the economic condition factor and land value on the record card. Assessors should also be able to explain at the Tax Tribunal hearing how the value shown on the property record card was calculated. More information regarding the Michigan Tax Tribunal, including Tribunal Rules, forms and instructions is available at www.michigan.gov/taxtrib.

Assessors are also reminded that any change in contact information, including a change in email address, must be submitted to the Tax Tribunal to ensure that all case notifications are received.

I. Changes to Personal Property Tax

On December 27, 2018, Public Acts 505 and 541 of 2018 were signed into law. These Acts make changes related to filing and payment dates for the ESA. Although the August 15th deadline to certify and pay ESA and the September 15th deadline to amend a previously certified ESA statement remain, P.A. 541 and 505 change the date by which ESA liability and late payment penalty must be paid in full to April 15th of the year immediately following the assessment year. If full payment of ESA liability and late payment penalty is not received by April 15th of the year immediately following the assessment year, the Department of Treasury must rescind the Eligible Manufacturing Personal Property (EMPP) exemption no later than the first Monday in June of that year. The deadline for taxpayers to appeal an assessment, penalty,

or rescission to the Michigan Tax Tribunal December 31st of the tax year in which the assessment, penalty or rescission was issued.

In addition to the extended deadlines, the acts increase the late payment penalty of any ESA statement that is not paid in full by August 15th to 3% of unpaid liability per month or part of a month. Penalty is not to be prorated based on the day of the month that the late payment is received.

There are no changes to the February 20th deadline to claim the EMPP exemption by filing the Combined Document (Form 5278) with the assessor of the local governmental unit in which the personal property is located nor the ability to file the Combined Document (Form 5278) late, directly with the March Board of Review of the same local unit.

More information is available in the Assessors Guide to EMPP and ESA are available online at www.michigan.gov/propertytaxexemptions.

Further information and guidance on the Eligible Manufacturing Personal Property (EMPP) Exemption, Special Acts and the Essential Services Assessment (ESA) is available at www.michigan.gov/ESA. Additional questions should be sent via email to ESAQuestions@michigan.gov.

J. Principal Residence Exemption

Public Act 633 of 2018 was signed into law on December 28, 2018. This Act amends MCL 211.7cc regarding the principal residence exemption. This Act allows an owner of property who previously occupied and claimed the property as a principal residence, but has vacated the property due to damage or destruction by an accident, act of God, or act of another person without the owner's consent, to retain the principal residence exemption on that property for the tax year in which the damage or destruction occurred and the two immediately succeeding tax years. In order to retain the exemption, the owner must meet specific criteria regarding his/her intent to return to the property. The owner must satisfy all of the following conditions to demonstrate an intent to return to the property:

1. The owner continues to own the property while absent due to the damage or destruction;
2. The owner has not established a new principal residence;
3. The owner provides for reconstruction of the principal residence for purposes of occupying the reconstructed dwelling upon its completion; and
4. The property is not occupied, leased, or used for any business or commercial purpose.

Owners who have vacated the property due to damage or destruction and meet these four criteria regarding an intent to return may retain the principal residence exemption on the property.

More information can be found on the PRE website at www.michigan.gov/PRE. Treasury staff is available to assist and answer questions regarding this Act or other PRE-related questions. The following are key contacts:

- PRE Unit Phone Number: (517) 335-7487
- PRE Program E-mail Address: PRE@michigan.gov

K. Omitted or Incorrectly Reported Property (MCL 211.154)

Assessors are reminded that when submitting 154 petitions it is necessary to include complete copies of the property record cards for every year a change is being requested on the petition. For example, if a 154 petition requests a change for 2017 and 2018, the property record card for 2017 and the property record card for 2018 should be submitted. In addition, assessor must submit the calculations and documents needed to understand the reasons for the change and the amount of the requested change in the assessment and taxable values. Additionally, the 154 petition must contain an original signature. The Commission cannot accept electronic signatures or scanned signatures on petitions.

For 154 petitions involving removal of personal property, staff may request verification that the assessor inspected personal property location or otherwise confirmed that the personal property was disposed and was not located in the local unit on the applicable tax day. Additionally, staff may inquire as to the extent of the assessor's communication with the taxpayer in order to confirm that personal property was reported in the new location.

Questions can be directed to the staff at Treas-154petitions@michigan.gov. Additional information, including Bulletin 2 of 2018 and copies of the approved forms, are available online at www.michigan.gov/154petitions.

L. Authority of July and December Boards of Review

The State Tax Commission has become aware of a significant number of instances where Boards of Review are acting outside their statutory authorities. MCL 211.53b specifies: The board of review meeting in July and December shall meet only for the purpose described in subsection (1) (Qualified Errors) and to hear appeals provided for in sections 7u (Poverty Exemption), 7cc (Principal Residence Exemption), 7ee (Qualified Agricultural Exemption), 7jj (Qualified Forest Exemption), and 9o (Small Business Taxpayer Exemption). Assessors should carefully review the Board of Review FAQ on the Commission's website to ensure their Boards of Review are acting within their statutory authorities.