

Principal Residence Exemption Denials by the Michigan Department of Treasury

Frequently Asked Questions

1. What is a Principal Residence Exemption (PRE)?

In accordance with MCL 211.7dd, a *principal residence* is defined as the "... one place where an owner of the property has his or her true, fixed, and permanent home, to which whenever absent, he or she intends to return" An *exemption* means that the home, after applying and qualifying with the local assessor, is not subject to the tax levied by a local school district for school operating purposes up to 18 mills.

2. Why did I get a PRE denial letter?

The Michigan Department of Treasury (Department) mailed a questionnaire requesting documentation to verify that you owned and occupied the property as your principal residence, and either no response to that letter was received or the response received did not verify that you owned and occupied the property as your principal residence for the year(s) being denied.

3. How do I appeal a denial of a PRE?

If you disagree with the denial you may appeal by requesting an informal conference with the Department. Your request for an informal conference must be received by the Department within 35 days from the date you received the denial notice. Mail the letter requesting an informal conference and any available documentation to the Michigan Department of Treasury, Principal Residence Exemption Unit, PO Box 30440, Lansing, MI 48909. Appeals that are not timely received by the Department will not be granted an informal conference. Your letter requesting an informal conference should explain your reasons for disagreeing with the denial. You should include documentation with your appeal request (see question #5 and #6 below). However, you should not delay filing your appeal request while you compile documentation. The documents can be supplied after you file your initial request for an informal conference. By statute, a denial issued by the Department must be initially appealed to the Department not to the Michigan Tax Tribunal.

4. How does the Department of Treasury determine a taxpayer's principal residence?

Factors to be considered in determining a principal residence include where taxpayers keep their most important possessions, house their family, vote, maintain club and lodge memberships, buy automobile licenses, maintain a mailing address and banking location, operate a business, or sue for divorce. However, no one of these factors is controlling.

5. What documentation is acceptable to verify occupancy and Michigan residency to show I am entitled to the exemption?

Copies of at least four different pieces of documentation dated between January 1 and May 2 for each of the years being appealed. Some examples of acceptable documents that show the property was occupied as the principal residence of the owner for the year(s) in question are:

- A. Both sides of a driver's license with property address.
- B. A voter's registration record.
- C. A cancelled check showing the property address.
- D. Medical billings from physicians in the vicinity of the property.
- E. Utility and property tax bills with the mailing address of the property.
- F. Bank and charge accounts showing purchases in the vicinity of the property.
- G. Income tax returns showing the mailing address.
- H. An insurance policy showing the mailing address and relevant dates.

NOTE: This is not an all inclusive list and no one item is particularly controlling. When submitting documentation, remember to black out any sensitive information.

6. What documentation is acceptable to verify ownership?

A warranty deed; quit claim deed; land contract; life estate; life lease (holder of the life lease must have been the prior owner); beneficiary of a will or trust; or a grantor who has placed the property in a revocable trust or a qualified personal residence trust. All documents verifying ownership must either be notarized and/or recorded.

7. How do I know if my appeal has been received?

You will receive a letter confirming that your appeal has been received by the Department.

8. How long will the appeal process take?

It may take several months to complete the review of the appeal.

9. Who will review my appeal?

The first step in the review process involves the PRE staff of the Department. The PRE staff will review your appeal information to determine if sufficient evidence exists to reinstate the exemption or partial exemption. If it is found that the exemption should be reinstated, you, the county treasurer, and the local unit assessor will be notified, in writing, that the exemption for the given years has been reinstated. If staff are unable to resolve the matter based on the information you supply, your file will be forwarded to the Hearings Division. The Hearings Division will schedule an informal conference and will notify you of the date, time and place.

10. How will I know the result of the appeal review by the PRE staff, if they determine that sufficient evidence was provided to rule in my favor?

If your documentation shows the property was occupied as the owner's principal residence, the denial will be removed for the year(s) in question. You, the county treasurer and the local unit assessor will be notified, in writing, that the exemption has been reinstated.

11. How will I know the result of the appeal review by the PRE staff, if they determine that insufficient evidence was provided to rule in my favor?

If your documentation does not show that the property was occupied as the owner's principal residence, a letter will be sent to you advising that your file will be forwarded to the Hearings Division for an informal conference. That office will notify you of the date, time, and place of the informal conference.

12. What if I disagree with the ruling of the Hearings Division?

You may appeal the decision of the Hearings Division to the Small Claims Division of the Michigan Tax Tribunal.

13. What if the property was foreclosed upon and is now owned by a mortgage company or some other business?

In order for property to qualify for the PRE, the owner must be a living person(s) who holds legal title to the parcel. A partnership, corporation, limited liability company, association, or other legal entity does not meet the requirements of an "owner" as defined by MCL 211.7dd. In addition, if the owner, prior to foreclosure, did not occupy the property as his or her principal residence, the additional tax and related fees for those years would become a lien against the property since the mortgage company or other business is not considered a bona fide purchaser. A bona fide purchaser is one who purchases in good faith for valuable consideration.

14. Do I have to pay additional taxes before I can appeal?

No. Taxes do not have to be paid at the time of the appeal. However, interest at a rate of 1.25% per month or fraction of a month and any related fees may be added as permitted or mandated by law. If your appeal is unsuccessful and the denial is upheld, interest and related fees will be charged from the original due date of the taxes.

15. How can I find out how much my adjusted bill is/will be?

You will receive a bill for corrected or adjusted taxes by mail. Depending on your specific circumstances, the bill can come from either the Department or your local or county treasurer. You may contact your local or county treasurer to obtain the amount of the corrected or adjusted taxes if a bill has not yet been received.

16. Can I have any interest waived?

The Department may waive interest in circumstances involving an assessor's error as detailed in Subsection (8) of MCL 211.7cc. The assessor must complete an *Assessor's Affidavit to Waive Principal Residence Exemption Denial Interest* (Form 4813) and include all of the required documentation.

17. Can I make a partial payment?

Most counties and local units require full payment. If a taxpayer is allowed to make a partial payment, any funds received will first be applied to interest and related fees. The remainder of taxes owed will continue to accumulate interest and may result in a lien against the property.

18. Why was my PRE denied on my parcel of land next to my home?

Generally, land adjoining or contiguous to a person's principal residence qualifies for a PRE if that person owns the adjoining or contiguous parcel(s). However, the adjoining or contiguous parcel must be classified as residential or timber-cutover (in 2008 and forward) and be unoccupied to qualify for the exemption.

19. Why did I receive a PRE denial on my agricultural property?

The Department does not review Qualified Agricultural Exemptions. However, because a Qualified Agricultural Exemption results in the same tax savings as a PRE, some assessors place a PRE on agricultural property. If a valid agricultural exemption exists and covers the years at issue, that exemption on the parcel(s) will remain unchanged. The assessor should be contacted to fix the discrepancy and the Department should be notified in accordance with the appeal process explained in the denial notice.

20. I received an additional tax bill but did not receive a denial notice. It is now well after the 35 days to appeal. What can I do?

MCL 211.7cc gives the taxpayer 35 days to appeal a denial from the date the denial was received. The statute does not allow the Department to give you additional time if the denial was received. You may send in an appeal beyond the 35 days with a detailed explanation as to why the denial notice was not received and why the Department should consider your appeal. The information provided in your appeal will be reviewed and you will be notified in writing of the Department's decision.

21. What is a Notice of Final Decision?

The Department is required to provide a final decision to those who do not submit a timely appeal with the Department after receiving a Principal Residence Exemption denial. Upon receiving the Notice of Final Decision, an appeal may be made to the Michigan Tax Tribunal within 35 calendar days from the date of the notice.

22. Where can I find more information about PREs?

Information regarding PREs, including links to the controlling statutory language, is found at www.michigan.gov/pre.