

Frequently Asked Questions Regarding Principal Residence Exemption “Tax Due” Letters from the Department of Treasury

Note: The information contained in these frequently asked questions constitutes an analysis of one or more statutes and not legal advice. Since the analysis is limited to general statutory requirements, individual facts may result in different conclusions being reached. Therefore, individuals may wish to consult legal counsel.

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

A PRE exempts a principal residence from the tax levied by a local school district for school operating purposes up to 18 mills after applying and qualifying with the local (city or township) assessor.

2. What is a principal residence?

In accordance with Michigan Compiled Law 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”

3. Why did I receive a Principal Residence Exemption Tax Due letter(s) from the Department of Treasury?

The Principal Residence Exemption (PRE) for the property listed on the Tax Due letter(s) was denied because an owner of the property did not occupy the property as a principal residence for the year(s) listed on the Tax Due letter(s) and the property has since been sold to a bona fide purchaser. Since you were the owner of the property during the year(s) in question and received the benefit of the PRE, you are responsible for the additional taxes (school operating taxes up to 18 mills), interest and penalties as a result of the denial.

4. Why should I be responsible for the additional taxes, interest and penalties since I no longer own the property?

Under Subsections 6, 8 and 11 of Michigan Compiled Law 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 shall notify the department of treasury of the amount of tax due, interest, and penalties through the date of that notification. The department of treasury shall then assess the owner who claimed the exemption...for the tax, interest, and penalties accruing as a result of the denial of the claim for exemption...” Since you were the owner of the property during the year(s) in question and were subsequently denied the Principal Residence Exemption, you are responsible for the additional taxes, interest and penalties owed as a result of the denial. In other words, when property is sold property to a bona fide purchaser, the prior owner continues to be responsible for the additional taxes, interest and penalties owed as a result of the denial.

5. What is a bona fide purchaser?

A bona fide purchaser is one who purchases a property in good faith for valuable consideration. A person or entity who receives property through an inheritance, foreclosure or a quit claim without valuable consideration, would not be considered a bona fide purchaser.

6. If the new owner is not a bona fide purchaser, who is responsible for the additional taxes, interest and penalties as a result of the Principal Residence Exemption denial?

The additional taxes, interest and penalties are added back to the tax roll, which become a lien on the property, and the purchaser is responsible for them.

7. I owned the property listed on the Principal Residence Exemption Tax Due letter(s) and also occupied it as a principal residence during the year(s) in question. Can I dispute the amounts owed?

You may submit information to the Principal Residence Exemption Unit disputing the additional taxes, interest and penalties; however, the merits of the denial notice will not be reviewed.

8. How do I dispute the merits of the denial notice?

The denial notice you received for the property listed on the Tax Due letter(s) detailed your appeal rights. If the denial notice was issued by the county treasurer, equalization director or the local assessor, you had 35 days from the date of the denial notice to appeal to the Michigan Tax Tribunal in accordance with Subsections 6 and 11 of Michigan Compiled Law (MCL) 211.7cc. If the denial notice was issued by the Department of Treasury, you had 35 days from

the date you received the notice to appeal to the Hearings Division of the Department of Treasury in accordance with Subsection 8 of MCL 211.7cc.

9. I missed the 35-day deadline to appeal to the Michigan Tax Tribunal. What recourse do I have upon receiving the Principal Residence Exemption Tax Due letter(s)?

The Department of Treasury does not have the authority to review the merits of denial notices issued by the county treasurer, equalization director or the local assessor. You may wish to contact the Michigan Tax Tribunal to explain your reasons for filing a late appeal.

10. I missed the 35-day deadline to appeal to the Department of Treasury (Department). What recourse do I have upon receiving the Principal Residence Exemption Tax Due letter(s)?

Subsection 8 of Michigan Compiled Law 211.7cc gives the taxpayer 35 days from the date the denial was received to appeal the Department's denial. There is nothing in the statute to allow the Department to give you additional time if the denial was received. However, you may send a request for an Informal Conference to the Principal Residence Exemption Unit detailing when the denial notice was received and how the 35-day deadline was met. The information provided in your appeal request will be reviewed and you will be notified in writing of the Department's decision whether or not to consider your request as a timely appeal.

11. I did not own the property listed on the Principal Residence Exemption Tax Due letter(s) for one or more of the years being billed. What should I do?

You may send a detailed letter and documents verifying ownership to the Principal Residence Exemption Unit. Acceptable verification of ownership may include warranty deeds; quit claim deeds; land contracts; life estates; life leases (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.

12. How was the interest on the Principal Residence Exemption Tax Due letter(s) calculated?

Public Act 206 of 1893, as amended (specifically Subsection 6, 8 and 11 of Michigan Compiled Law 211.7cc), requires that a corrected tax bill for additional taxes with interest at the rate of 1.25% per month or fraction of a month be billed from the date the taxes were last payable without interest. Interest is not punitive in nature but charged for the use of the money.

13. What if I choose not to pay the additional taxes, interest and penalties listed on the Principal Residence Exemption Tax Due letter(s)?

Your account will be referred to the Department of Treasury's Collection Division where a "Bill for Taxes Due/Intent to Assess" notice will be issued to you. Additional interest and penalties will accumulate. The Collection Division will take various collection actions to collect the amounts due.

14. Where should I submit my payment?

Your payment for the additional taxes, interest and penalties listed on the Principal Residence Exemption Tax Due letter(s) must be submitted to the address on the payment voucher (bottom portion of the letter). The payment voucher must be included with your payment to ensure the payment is correctly posted to your account. If you received multiple Principal Residence Exemption Tax Due letters, all payment vouchers must be included with your payment to ensure your payment is correctly posted.

15. What is the mailing address for the Principal Residence Exemption (PRE) Unit?

Correspondence for the PRE Unit can be mailed to the Michigan Department of Treasury, PRE Unit, P.O. Box 30440, Lansing, Michigan 48909.

16. Where can I find more information about Principal Residence Exemptions?

Information regarding Principal Residence Exemptions is found at www.michigan.gov/PRE.