STATE OF MICHIGAN
DEPARTMENT OF TREASURY

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DATE: April 21, 2011

TO: Assessors and Equalization Directors

FROM: Kelli Sobel, Executive Director State Tax Commission

SUBJECT: Public Act 340 of 2010

Assessors should note P.A. 340 of 2010 which went into effect on December 21, 2010. This Act changes MCL 211.27 by adding subsection 6 which states:

> The purchase price paid in a transfer of eligible nonprofit housing property from a charitable nonprofit housing organization to a low-income person that occurs after December 31, 2010 is the presumptive true cash value of the eligible nonprofit housing property transferred. In the year immediately succeeding the year in which the transfer of eligible nonprofit housing property occurs and each year thereafter, the taxable value of the eligible nonprofit housing property shall be adjusted as provided under section 27a.

Specifically this act requires assessors to set the true cash value of a home transferred from a charitable nonprofit housing organization to a low-income person after December 31, 2010 **at the purchase price paid for the home.**

The Act also provides the following definitions:

1. Charitable nonprofit housing organization means a charitable nonprofit organization the primary purpose of which is the construction or renovation of residential housing for conveyance to a low-income person.

2. Eligible nonprofit housing property means property owned by a charitable nonprofit housing organization, the ownership of which the charitable nonprofit housing organization intends to transfer to a low-income person after construction or renovation of the property is completed.

3. Family income and "statewide median gross income" mean those terms as defined in section 11 of the State Housing Development Authority Act of 1966, 1966 pa 346, MCL 125.1411.

4. Low-income person means a person with a family income of not more than 60% of the statewide median gross income who is eligible to participate in the charitable nonprofit

housing organization's program based on criteria established by the charitable nonprofit housing organization.

MCL 125.1411 provides the further definitions of:

(gg) "Family income" means all income that is included in a determination of family income under section 143(f) of the internal revenue code, 26 USC 143(f), together with the income of all adults who will reside in the residence, which income might otherwise be excluded from consideration because the individual was not expected to both live in the residence and be primarily or secondarily liable on the mortgage note.

(hh) "Statewide median gross income" means the statewide median gross income as determined under section 143(f) of the internal revenue code, 26 USC 143(f).

Section 143(f) imposes eligibility requirements concerning the maximum income of mortgagors for whom financing may be provided by qualified mortgage bonds. Section 25(c)(2)(A)(iii)(IV) provides that recipients of mortgage credit certificates must meet the income requirements of § 143(f). Generally, under §§ 143(f)(1) and 25(c)(2)(A)(iii)(IV), these income requirements are met only if all owner-financing under a qualified mortgage bond and all certified indebtedness amounts under a mortgage credit certificate program are provided to mortgagors whose family income is 115 percent or less of the applicable median family income. Under § 143(f)(6), the income limitation is reduced to 100 percent of the applicable median family income if there are fewer than three individuals in the family of the mortgagor.[1]

Assessors are advised of the following:

1. While the presumptive true cash value of these properties is to be set at the purchase price for the year following the transfer of ownership, assessors should treat these properties as all others for setting the assessed values in the following years. This means in the year immediately following the transfer of ownership (year 1), the assessed value will be ½ the purchase price but in year 2 and all subsequent years, the assessor should determine the true cash value as they would for all other properties and use that to set the assessed value. It is recommended that assessors inspect the property for the current building and land improvements. Changes to the record may be treated as New, Loss, Adjustment or Losses. However, the assessed value and taxable value in year 1 must be ½ of the purchase price. Any change to the record to reflect the required assessment should be considered as a Loss and not Losses. Inspecting the property at the time of transfer will allow the assessor to confirm the record for any future changes (in year 2 and following) that may be treated as Additions or Losses.
2. In the year immediately following the transfer of ownership (year 1) assessors are to set the taxable value at ½ the purchase price. For year 2 and all subsequent years, the assessor should calculate the taxable value in accordance with 211.27a, adjusting by the inflation rate multiplier until the next transfer of ownership.
3. These properties should continue to be assessed on the ad valorem roll; they are not special roll or act properties.
4. Assessors may want to require the filing of a Property Transfer Affidavit or Real Property Statement to confirm the purchase price and to maintain documentation for their files.

[1] Source: Internal Revenue Bulletin 206-17 Issued April 24, 2006 Rev. Proc 2006-20