

Charitable Nonprofit Housing Property Exemption Guidelines

PREPARED BY THE MICHIGAN STATE TAX COMMISSION



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General Information

What is a Charitable Nonprofit Housing Property Exemption?

The Charitable Nonprofit Housing Property Exemption, Public Act 612 of 2006, MCL 211.7kk, as amended, was created to exempt certain residential property owned by a charitable nonprofit housing organization from property taxes for a maximum period of five years if the property is intended for ultimate occupancy by low-income persons as a principal residence.

Who can file an application for a Charitable Nonprofit Housing Property Exemption?

The application for a Charitable Nonprofit Housing Property Exemption is filed by a charitable nonprofit housing organization.

How is the tax computed for a Charitable Nonprofit Housing Exemption?

There are no property taxes on property covered under this act. This is a 100% property tax exemption.

Definitions

What is the definition of a “Charitable Nonprofit Housing Organization”?

A “charitable nonprofit housing organization” means a charitable nonprofit organization that has a primary purpose of the construction or renovation of residential housing for conveyance to a low-income person. In order to confirm that the charitable nonprofit organization’s primary purpose meets this definition, the articles of incorporation for the charitable nonprofit housing organization must be submitted with the application.

What is the definition of “Eligible Nonprofit Housing Property”?

“Eligible Nonprofit Housing Property” is a residential building lot, a single family home, a duplex, or a multiunit building with four or fewer units that is owned by a charitable nonprofit housing organization. The organization must intend to transfer the property to a low-income person to be used as that person’s principal residence after construction or renovation of the eligible nonprofit housing property is complete.

What is the definition of a “low-income person”?

A “low-income person” means a person with a family income of not more than 80% 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. “Family income” and “statewide median gross income” are defined in section 11 of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1411.

What is the definition of a “principal residence”?

A “principal residence” is property exempt as a principal residence under section 7cc of the General Property Tax Act, PA 206 of 1893, MCL 211.7cc.

What is the definition of “transferred”?

“Transferred” means a transfer of ownership of the real property as defined in section 27a of the General Property Tax Act, PA 206 of 1893, MCL 211.27a.

Application Process

How does a Charitable Nonprofit Housing Organization apply for a Charitable Nonprofit Housing Property Exemption?

An application for the Charitable Nonprofit Housing Property Exemption can be found at the Department of Treasury website: www.michigan.gov/propertytaxexemptions.

Application is made by the charitable nonprofit housing organization seeking the exemption and filed with the State Tax Commission. Complete applications must meet all of the following requirements:

- a. The eligible nonprofit housing property must be owned by the charitable nonprofit housing organization and be a residential building lot (including real property that has a structure that will be torn down within one year of transfer to the charitable nonprofit housing organization), a single family dwelling, a duplex, or a multiunit building with four or fewer units.
- b. The charitable nonprofit housing organization must intend to transfer the eligible nonprofit housing property to a low-income person to be used as that low-income person’s principal residence after construction or renovation of the eligible nonprofit housing property is completed.
- c. The narrative description on the application must provide a thorough description of the type of eligible nonprofit housing property, the construction or renovation plans and timelines, and the intended use of the eligible nonprofit housing property.

The following are documents that must accompany all applications:

- a. The articles of incorporation for the charitable nonprofit housing organization.
- b. If the eligible nonprofit housing property was exempt by the governing body of the local unit prior to December 31, 2014, a copy of the resolution exempting the eligible nonprofit housing property.
- c. A copy of the deed or other documentation showing that the charitable nonprofit housing organization owns the subject property.

What happens when an incomplete application for a Charitable Nonprofit Housing Exemption is received?

If an application is incomplete or missing required elements when submitted, the application will be returned to the sender and additional information will be requested. If not completed within 60 days, the application will be dismissed as incomplete.

What is the deadline for filing an application for a Charitable Nonprofit Housing Exemption? What happens if the application is filed after the October 31st deadline?

In order for an application to be considered and approved in the year in which the application is filed, applications must be submitted by the charitable nonprofit housing organization to the State Tax Commission before October 31st. Applications submitted after the deadline will be processed based on staff availability.

State Tax Commission Process

Who determines whether the eligible nonprofit housing property qualifies for a Charitable Nonprofit Housing Exemption?

The State Tax Commission is responsible for determining whether eligible nonprofit housing property qualifies for a Charitable Nonprofit Housing Exemption.

Can an application for a Charitable Nonprofit Housing Exemption be denied?

Yes. An application can be denied by the State Tax Commission if all of the requirements are not met by the applicant. Written notification of the denial will be sent to the charitable nonprofit housing organization and the local tax collecting unit.

How will I be notified whether the Charitable Nonprofit Housing Exemption was granted or not?

The Department of Treasury will send a letter acknowledging that the exemption has been granted or denied by the State Tax Commission to the charitable nonprofit housing organization and the assessor of the local tax collecting unit. The letter will list the certificate number assigned to that application, and will verify the status and term of the exemption.

Can a decision of the State Tax Commission regarding a Charitable Nonprofit Housing exemption be appealed?

Yes. A party aggrieved by the issuance, refusal to issue, revocation, transfer or modification of the exemption may appeal a final decision by filing a petition with the Michigan Tax Tribunal within 35 days of the decision. MCL 205.735a(6). More information on how to file a petition with the Michigan Tax Tribunal can be found at www.mich.gov/taxtrib or by calling (517) 335-9760.

Term of the Exemption

What is the term of a Charitable Nonprofit Housing Exemption?

If the exemption is granted for a residential building lot, the term of the exemption will be for five years. If the exemption is granted for a single family dwelling, a duplex, or a multiunit building with fewer than four units, the term of the exemption will be for three years. The exemption will end prior to the expiration of the certificate, and the assessor will be required to remove the exemption from the tax roll, if either of the following occurs:

- a. The eligible nonprofit housing is occupied by a low-income person under a lease agreement.
- b. The eligible nonprofit housing property is transferred by the charitable nonprofit housing organization.

What determines the starting date of a Charitable Nonprofit Housing Exemption?

The effective date of the exemption is December 31st immediately following the date of issuance of the exemption by the State Tax Commission.

Can a Charitable Nonprofit Housing Exemption be transferred to a new owner?

No. If the charitable nonprofit housing organization transfers the eligible nonprofit housing property covered by the exemption to a new owner, the exemption automatically terminates.