

Poverty Exemption Information: MCL 211.7u (1) The principal residence of a person who, in the judgment of the supervisor and board of review, by reason of poverty, is unable to contribute toward the public charges is eligible for exemption in whole or in part from the collection of taxes under this act.

Test 1: Poverty Income Guidelines		Test 2: Asset Test (if the applicant meets the poverty income guidelines)	
“Table 1”		“Table 2”	“Table 3”
How Much <u>Income</u> a Person Can Receive Per Year and Be Eligible for the Poverty Exemption		List of <u>Things of Value</u> That a Person Can Own and Still Be Granted a Poverty Exemption	List of <u>Things of Value</u> That the BOR Can Consider to Decide Amount of Exemption
2022 Federal Poverty Income Guidelines		<p>The law protects the applicant’s residence. Townships cannot use the equity of an applicant’s home as part of the asset test.</p> <p>The Michigan Tax Tribunal in <i>Robert Taylor v Sherman Twp.</i> (MTT Small Claims Division, Docket No. 236230, August 13, 1997), the Tax Tribunal views the 'asset test' to be an indication of funds available which might be used to pay one's taxes.</p> <p>In <i>Taylor</i>, Tax Tribunal held, “If the equity of the homestead is included, it would require the Petitioner to sell his homestead or borrow against the equity to pay the taxes. The Tribunal finds that the inclusion of the value of the equity is inconsistent with the basic intent of the granting of poverty exemptions, that being to enable the petitioning party to maintain their homestead.”</p> <p>However, a township can determine a “footprint” for the home and consider any additional land as an asset. For example, the applicant is allowed their home plus five acres around their home as a ‘footprint.’ Their home sits on 40 acres. Therefore, 35 acres can be considered as an asset towards the total assets.</p>	<p>Every township must adopt an asset test, but no specific test is mandated by law. The township board should set a <u>maximum asset amount</u>—a total value of assets that will likely result in not receiving an exemption. This can be either a dollar amount or a percentage of total income.</p> <p>A township cannot consider the homestead property tax credit that the applicant is eligible for to calculate the percentage of poverty exemption to be granted.</p> <p>NEW per PA 253 of 2020, MCL 211.7u (5): (5) The board of review shall follow the policy and guidelines of the local assessing unit in granting or denying an exemption under this section. If a person claiming an exemption under this section is qualified under the eligibility requirements in subsection (2), the board of review shall grant the exemption in whole or in part, as follows:</p> <p style="padding-left: 40px;">(a) A full exemption equal to a 100% reduction in taxable value for the tax year in which the exemption is granted.</p> <p style="padding-left: 40px;">(b) A partial exemption equal to 1 of the following:</p> <p style="padding-left: 80px;">(i) A 50% or 25% reduction in taxable value for the tax year in which the exemption is granted.</p> <p style="padding-left: 80px;">(ii) As approved by the state tax commission, any other percentage reduction in taxable value for the tax year in which the exemption is granted, applied in a form and manner prescribed by the state tax commission.</p> <p>Per PA 253 of 2020, a township Board of Review can no longer legally deviate from the policy and guidelines adopted by the township board.</p>
Size of Family/ Household	Maximum Total Income		
1	\$12,880		
2	\$17,420		
3	\$21,960		
4	\$26,500		
5	\$31,040		
6	\$35,580		
7	\$40,120		
8	\$44,660		
Additional person	\$4,540		
<p>Note: The township board can adopt maximum income levels <u>higher</u> than the federal poverty guidelines. A township board can make it <u>easier</u> for a person to be eligible for the poverty exemption, but it <u>cannot make it harder</u> (by adopting lower income levels). For example, a township board could use \$15,000 for a one-person household. Or the board could establish its levels at 1.35 (or other number) times the federal levels.</p> <p>Monies received from claiming a homestead property tax credit are not “income.” <i>Ferrero v.</i></p>			

Walton Township, 295 Mich. App. 475, 2012.

	Test 1: Poverty Income Guidelines	Test 2: Asset Test (if the applicant meets the poverty income guidelines)	
Examples:	<p>According to the U.S. Census Bureau, “income” includes:</p> <ul style="list-style-type: none"> • Money, wages and salaries before any deductions, regular contributions from persons not living in the residence. • Net receipts from nonfarm or farm self-employment (receipts from a person’s own business, professional enterprise, or partnership, after business expense deductions). • Regular payments from social security, railroad retirement, unemployment, workers’ compensation, veterans’ payments, public assistance, supplemental security income (SSI). • Alimony, child support, military family allotments. • Private and governmental retirement and disability pensions, regular insurance, annuity payments. • College or university scholarships, grants, fellowships, assistantships. • Dividends, interest, net income from rentals, royalties, estates, trusts, gambling or lottery winnings. 	<p><u>Things of Value That a Person Can Own and Still Be Granted a Poverty Exemption</u></p> <p>The township board has the option to allow a person to own other things, in addition to the principle residence, and still receive a poverty exemption. Possible examples include, but are not limited to:</p> <ul style="list-style-type: none"> • Additional vehicles • More land than a minimum “footprint” for the home • Equipment or other personal property of value, including recreational vehicles (campers, motor homes, boats, ATVs, etc.) • Bank account(s) up to a specified amount (a maximum amount should be specified). • Other ... 	<p><u>Things of Value That the BOR Can Consider to Decide What Percent Exemption to Grant</u></p> <p>The following is a list of assets that may be included in the annual guidelines. A township is not required to ask an applicant to list all of these types of assets to apply for a poverty exemption, but it may choose to do so:</p> <ul style="list-style-type: none"> • A second home, land, vehicles • Recreational vehicles (campers, motor homes, boats, ATVs, etc.) • Buildings other than the residence • Jewelry, antiques, artwork • Equipment, other personal property of value • Bank accounts (over a specified amount), stocks • Money received from the sale of property such as stocks, bonds, a house, or a car (unless a person is in the business of selling such property). • Withdrawals of bank deposits and borrowed money. • Gifts, loans, lump-sum inheritances and one-time insurance payments • Food or housing received in lieu of wages and the value of food and fuel produced and consumed on farms. • Federal non-cash benefits programs such as Medicare, Medicaid, food stamps, school lunches.

Notes: See [State Tax Commission Bulletin 6 of 2017](#) for more information. What the township board is really establishing is a definition of “poverty” in that township, based on the federal thresholds, plus a local determination of assets that a person can own and still be considered to be unable to contribute to the public charge—in that township.

One way to look at the asset test is that the township board is stating what property a person should “sell” to pay the taxes or be able to keep and still get the poverty exemption. A person is not required to actually sell assets to receive a poverty exemption—but the asset test is a list of things the board of review will consider.

Remember, the idea is not to give everyone a break on their taxes. The state will look closely at overly generous definitions or boards of review that don't follow the township's guidelines and asset test.

The asset test can be a list of the types of items, or a total value of the assets that the township will look at to determine if someone really is impoverished. This can vary from township to township. As applied, it will likely also vary on a case by case basis, depending on the applicant's circumstances.

For example, if an elderly widow has an annual household income of \$10,000 (less than the federal poverty guideline for one person) and lives alone in the home that she owns, she meets the poverty guidelines for income—and would likely be considered “impoverished” just about anywhere in Michigan.

But what if she also owns the 100 acres of land that her house sits on, plus a lakefront cottage up north, a pontoon boat, a Cadillac worth \$30,000, \$100,000 in antiques and art, and a condo in Florida? One township might consider her even more eligible for the poverty exemption because her property taxes are higher than if she didn’t own some of those things, but

they would not expect her to give up things that were purchased years ago because her income has now been permanently reduced. But another township might determine that a person in her circumstances should be able to pay the taxes. The townships’ asset tests can be designed to represent each township’s perception of “poverty,” and the boards of review have the ability to deviate from the guidelines for substantial and compelling reasons.

Now substitute in the example above a 30-year-old person who recently acquired all of the same property, is still employed as a real estate agent, reports an annual income of \$10,000 due to income tax credits from business losses, and now claims that he or she is unable to pay the taxes.

	Township A	Township B	Township C	Township D
Guidelines & Asset Test	The township board has established higher income levels for its poverty guidelines, so an individual could have an income of \$14,000 and still qualify. This township also considers how long the applicant has owned the property.	The township board has taken a very strict approach to poverty exemptions and has adopted the federal income guidelines and an asset test that limits an applicant’s eligible assets to the house and one car with a value of \$15,000 or less.	The township’s asset test says that, in addition to being at or below the federal poverty guideline for income, an applicant can own up to \$100,000 in real and personal property.	The township has adopted the federal income guidelines, and an applicant can own one car, but must list any additional vehicles, any boats, any real estate not included in the homestead, etc.
Example A: Widow	The widow could be granted up to a 100% exemption.	In this township, the widow might not receive a poverty exemption, or might receive a small percentage of a total exemption, either a 25 or 50% exemption, because she owns far more than the asset test would allow. But the board of review might decide there are substantial and compelling reasons to deviate from the guidelines.	In this township the widow might not receive a poverty exemption or might receive a percentage of a total exemption, either a 25 or 50% exemption, because she owns far more than the asset test would allow. But the board of review might decide there are substantial and compelling reasons to deviate from the guidelines.	Here, the widow could be eligible for an exemption based on her income but might receive a percentage of a full exemption.
Example B: Real Estate Agent	You decide ... !	You decide ... !	You decide ... !	You decide ... !

THE GENERAL PROPERTY TAX ACT
Act 206 of 1893

211.7u Principal residence of persons in poverty; exemption from taxation; applicability of section to property of corporation; eligibility for exemption; application; policy and guidelines to be used by local assessing unit; duties of board of review; exemption by resolution and without application for certain tax years; appeal of property assessment; audit program; "principal residence" defined.

Sec. 7u.

(1) The principal residence of a person who, in the judgment of the supervisor and board of review, by reason of poverty, is unable to contribute toward the public charges is eligible for exemption in whole or in part from the collection of taxes under this act. This section does not apply to the property of a corporation.

(2) To be eligible for exemption under this section, a person shall, subject to subsections (6) and (8), do all of the following on an annual basis:

(a) Own and occupy as a principal residence the property for which an exemption is requested. The person shall affirm this ownership and occupancy status in writing by filing a form prescribed by the state tax commission with the local assessing unit.

(b) File a claim with the board of review on a form prescribed by the state tax commission [\[Treasury Form 5737, Application for MCL 211.7u Poverty Exemption\]](#) and provided by the local assessing unit, accompanied by federal and state income tax returns for all persons residing in the principal residence, including any property tax credit returns, filed in the immediately preceding year or in the current year. Federal and state income tax returns are not required for a person residing in the principal residence if that person was not required to file a federal or state income tax return in the tax year in which the exemption under this section is claimed or in the immediately preceding tax year. If a person was not required to file a federal or state income tax return in the tax year in which the exemption under this section is claimed or in the immediately preceding tax year, an affidavit in a form prescribed by the state tax commission may be accepted in place of the federal or state income tax return. The filing of a claim under this subsection constitutes an appearance before the board of review for the purpose of preserving the claimant's right to appeal the decision of the board of review regarding the claim.

(c) Produce a valid driver license or other form of identification if requested by the supervisor or board of review.

(d) Produce a deed, land contract, or other evidence of ownership of the property for which an exemption is requested if required by the supervisor or board of review.

(e) Meet the federal poverty guidelines published in the prior calendar year in the Federal Register by the United States Department of Health and Human Services under its authority to revise the poverty line under 42 USC 9902, or alternative guidelines adopted by the governing body of the local assessing unit provided the alternative guidelines do not provide income eligibility requirements less than the federal guidelines.

(3) The application for an exemption under this section must be filed after January 1 but before the day prior to the last day of the board of review.

(4) The governing body of the local assessing unit shall determine and make available to the public the policy and guidelines used for the granting of exemptions under this section. If the local assessing unit maintains a website, the local assessing unit shall make the policy and guidelines, and the form described in subsection (2)(b), available to the public on the website. The guidelines must include, but are not limited to, the specific income and asset levels of the claimant and total household income and assets.

(5) The board of review shall follow the policy and guidelines of the local assessing unit in granting or denying an exemption under this section. If a person claiming an exemption under this section is qualified under the eligibility requirements in subsection (2), the board of review shall grant the exemption in whole or in part, as follows:

(a) A full exemption equal to a 100% reduction in taxable value for the tax year in which the exemption is granted.

(b) A partial exemption equal to 1 of the following:

(i) A 50% or 25% reduction in taxable value for the tax year in which the exemption is granted.

(ii) As approved by the state tax commission, any other percentage reduction in taxable value for the tax year in which the exemption is granted, applied in a form and manner prescribed by the state tax commission. [\[Treasury Form 5738, Request for Approval of Percentage Reduction in Taxable Value for Poverty Exemptions Under MCL 211.7u\]](#)

(6) Notwithstanding any provision of this section to the contrary, a local assessing unit may permit by resolution a principal residence exempt from the collection of taxes under this section in tax year 2019 or 2020, or both, to remain exempt under this section in tax years 2021, 2022, and 2023 without subsequent reapplication for the exemption, provided there has not been a change in ownership or occupancy status of the person eligible for exemption under subsection (2), and may permit a principal residence exempt for the first time from the collection of taxes under this section in tax year 2021, 2022, or 2023 to remain exempt under this section for up to 3 additional years after its initial year of exempt status without subsequent reapplication for the exemption, provided there has not been a change in ownership or occupancy status of the person eligible for exemption under subsection (2), if the person who establishes initial eligibility under subsection (2) receives a fixed income solely from public assistance that is not subject to significant annual increases beyond the rate of inflation, such as federal Supplemental Security Income or Social Security disability or retirement benefits. Both of the following apply to a person who obtains an extended exemption under this subsection:

(a) The person shall file with the local assessing unit, in a form and manner prescribed by the state tax commission, an affidavit rescinding the exemption as extended under this subsection within 45 days after either of the following, if applicable:

(i) The person ceases to own or occupy the principal residence for which the exemption was extended.

(ii) The person experiences a change in household assets or income that defeats eligibility for the exemption under subsection (2).

(b) If the person fails to file a rescission as required under subdivision (a) and the property is later determined to be ineligible for the exemption under this section, the person is subject to repayment of any additional taxes with interest as described in this subdivision. Upon discovery that the property is no longer eligible for the exemption under this section, the assessor shall remove the exemption of that property and, if the tax roll is in the local tax collecting unit's possession, amend the tax roll to reflect the removal of the exemption, and the local treasurer shall, within 30 days of the date of the discovery, issue a corrected tax bill for any additional taxes with interest at the rate of 1% per month or fraction of a month computed from the date the taxes were last payable without interest. If the tax roll is in the county treasurer's possession, the tax roll must be amended to reflect the removal of the exemption and the county treasurer shall, within 30 days of the date of the removal, prepare and submit a supplemental tax bill for any additional taxes, together with interest at the rate of 1% per month or fraction of a month computed from the date the taxes were last payable without interest. Interest on any tax set forth in a corrected or supplemental tax bill again begins to accrue 60 days after the date the corrected or supplemental tax bill is issued at the rate of 1% per month or fraction of a month. Taxes levied in a corrected or supplemental tax bill must be returned as delinquent on the March 1 in the year immediately succeeding the year in which the corrected or supplemental tax bill is issued.

(7) A person who files a claim under this section is not prohibited from also appealing the assessment on the property for which that claim is made before the board of review in the same year.

(8) Notwithstanding any provision of this section to the contrary, if the assessor determines that a principal residence of a person by reason of poverty is still eligible for this exemption and the property was exempt from the collection of taxes under this section in tax year 2019 or 2020, or both, the property shall remain exempt from the collection of taxes under this section through tax year 2021 if, on or before February 15, 2021, the governing body of the local assessing unit in which the principal residence is located adopts a resolution that continues the exemption through tax year 2021 for all principal residences within the local assessing unit that were exempt from the collection of taxes under this section in tax year 2019 or 2020, or both. The local assessing unit may require the owner of a principal residence exempt from the collection of taxes under this subsection to affirm ownership, poverty, and occupancy status in writing by filing with the local assessing unit the form prescribed by the state tax commission under subsection (2)(a).

(9) A local assessing unit that adopts a resolution under subsection (6) or (8) must develop and implement an audit program that includes, but is not limited to, the audit of all information filed under subsection (2). If property is determined to be ineligible for exemption as a result of an audit, the person who filed for the exemption under subsection (2) is subject to repayment of additional taxes including interest to be paid as provided in subsection (6)(b). The state tax commission shall issue a bulletin providing further guidance to local assessing units on the development and implementation of an audit program under this subsection.

(10) As used in this section, "principal residence" means principal residence or qualified agricultural property as those terms are defined in section 7dd.