

NON-HOMESTEAD EXEMPTION (PRE) FOR RESIDENTIAL LONG-TERM RENTALS

Draft _____ (Representative Sara Cambensy)



SUMMARY OF BILL

Development and operational costs for rental units are high, and non-homestead taxes are a significant cost for property owners that can effectively force higher rents. As it currently stands, unless properties are subsidized by state or federal programs, there are few or no options for tax relief for property owners offering affordable rental units. This change would provide an incentive for private property owners to offer their units year-round at an affordable rate.

Because property owners who provide long-term rentals currently lose the homestead property tax exemption, they pay higher taxes – which can be passed on to renters in the form of higher rents. Those higher taxes sometimes drive property owners to convert their year-round units to short-term rentals (for example on AirBnB or Vrbo), which can be more lucrative than long-term, year-round rentals. In fact, over 6 years, seasonal housing grew by 15% - while our total housing stock didn't grow at all. While short-term rentals are undeniably important to the state's tourism economy, the loss of long-term rentals hits Michigan communities hard. When people can't find homes they can afford, many move to more affordable areas. Businesses then struggle to retain and recruit employees. And when families move away, schools lose students – and the funding that comes with them.

HOW DOES IT WORK?

Annually, the owner of property that provides long-term, affordable rental units would submit an affidavit with their tax assessing unit to verify the possession of long-term rental units being leased at rates that are affordable to certain area median income levels. Under the current version of the bill, "affordable" or "workforce" would mean occupied by a household whose household income is not greater than 150% of the area median income (AMI).

If the exemption is accepted by the assessing unit, the property will be exempt from taxes levied for local school districts. If the assessor believes that the property is not workforce housing, the assessor may deny a new or existing claim by notifying the state treasurer and advising the property owner that the denial may be appealed to the state tax commission.

Property owners who continue to rent short-term or occupy their homes seasonally would not qualify for the exemption.

DRAFT - BEFORE INTRODUCTION