



PRINCIPAL RESIDENCE EXEMPTION FOR DAMAGED PROPERTY

Michigan law provides a real property tax break to homeowners who occupy their home as their principal residence and file a Principal Residence Exemption (PRE) Affidavit. The law is strict and sometimes convoluted as to who can claim a PRE and under what circumstances. For example, one requirement of the law is that the homeowner must occupy the property as their principal residence. But what happens if the property is destroyed by fire or other casualty?

The law governing PRE was recently amended to provide homeowners continued property tax relief for damaged property due to damage or destruction caused by an accident, Act of God or similar casualty. The revised law allows an owner who previously occupied and claimed the property as a principal residence but who has vacated the property to retain the principal residence exemption for the tax year in which the property damage occurred and the two immediately succeeding tax years. The Michigan State Tax Commission and amended law provide that the owner must satisfy *all* of the following conditions in order to demonstrate an intention to return to the property:

- a. The owner continues to own the property while absent due to the damage or destruction;
- b. The owner has not established a new principal residence;
- c. The owner provides for reconstruction of the principal residence for purposes of occupying the reconstructed dwelling upon its completion; and
- d. The property is not occupied, leased or used for any business or commercial purpose.

Owners who have vacated a property due to damage or destruction and meet these four criteria may retain the principal residence exemption on the property.

For further questions about the PRE or any real estate matter, please contact [Attorney Gregg Nathanson](#), or another [Couzens Lansky Real Estate Attorney](#).

