New Law Affecting the Principal Residence Exemption

Effective October 5, 2017, the law regarding the Michigan principal residence exemption ("PRE") has changed. The PRE allows Michigan property owners to save on their property tax bills for their primary residence. The PRE exempts the property from the tax levied by a local school district for school operating purposes up to 18 mills.

The General Property Tax Act ("Act") was recently amended to provide a misdemeanor penalty (punishable by imprisonment for up to one year) to a person who claims a substantially similar exemption, deduction, or credit on real property in another state, with the intent to claim the PRE in Michigan. The Act also provides that a violation of the Act can result in a fine of up to $5,000. Property owners who attempt to claim PRE in Michigan and a similar credit for property in another state are subject to the additional school district tax and penalties and interest.

The Act was also amended to provide that certain governmental entities (including the Department of Treasury, local assessor and county treasurer) may require that a property owner complete a Principal Residence Exemption Affidavit for Similar Exemptions in Other States. If the governmental entity requires the owner complete the form, it must be submitted within 30 days of the date of the request.

In the event property which was once entitled to PRE is no longer the primary residence, property owners should file a Request to Rescind PRE with the assessor within 90 days of the date the property no longer qualifies for PRE. Note that there are special circumstances when a Conditional Rescission of PRE can be used (e.g. if an owner is in the process of selling the property).

If you have any questions regarding the Principal Residence Exemption, or any other real estate question, please contact Stacey L. DiDomenico or Gregg A. Nathanson.