

Principal Residence Exemption Denials by the Michigan Department of Treasury

Frequently Asked Questions

1. What is a Principal Residence Exemption (PRE)?

In accordance with MCL 211.7dd, a *principal residence* is defined as the "... one place where an owner of the property has his or her true, fixed, and permanent home, to which whenever absent, he or she intends to return" An *exemption* means that the home, after applying and qualifying with the local assessor, is not subject to the tax levied by a local school district for school operating purposes up to 18 mills.

2. Why did I get a PRE denial letter?

The Michigan Department of Treasury mailed a questionnaire requesting documentation to verify that you owned and occupied the property as your principal residence, and either no response to that letter was received or the response received did not verify that the property was your principal residence for the year(s) being denied.

3. How do I appeal a denial of a PRE?

Submit your appeal in writing to the Department within 35 days of the date on the denial letter. Include a copy of the denial letter and state that you are requesting an informal conference, list the reasons you disagree with the denial, and provide documentation showing you owned and occupied the property as your principal residence for each year denied.

4. How does the Department of Treasury determine a taxpayer's principal residence?

Factors to be considered in determining a principal residence include where taxpayers keep their most important possessions, house their family, vote, maintain club and lodge memberships, buy automobile licenses, maintain a mailing address and banking location, operate a business, or sue for divorce. However, no one of these factors is controlling.

5. What is acceptable verification of occupancy and Michigan residency to show I am entitled to the exemption?

Copies of at least four different pieces of documentation dated between January 1 and May 2 for each of the years being appealed. Some examples of acceptable documents that show the property was occupied as the principal residence of the owner for the year(s) in question are:

- A. Both sides of your driver's license with property address.
- B. Your voter's registration record.
- C. A cancelled check showing the property address. (Black out any information other than the address and date the check was written.)
- D. A statement from a bank, charge account, medical billing, utility bills, etc. (Only the portion showing your mailing address and date need be submitted.)
- E. Property tax bill with the property as the mailing address.
- F. Copy of your passport.
- G. Your income tax return showing the mailing address. (Black out any sensitive information.)
- H. An insurance policy. (Only the portion showing your mailing address and date need be submitted.)

NOTE: This is not an all inclusive list and no one item is particularly controlling.

6. What is acceptable verification of ownership?

Warranty deed; quit claim deed; land contract; life estate; life lease (holder of the life lease must have been the prior owner); beneficiary of a will or trust; or a grantor who has placed the property in a revocable trust or a qualified personal residence trust. All documents verifying ownership must either be notarized and/or recorded.

7. How do I know if my appeal has been received?

You will receive a letter confirming that your appeal has been received by the Department.

8. How long will the appeal process take?

It may take several months to complete the review of the appeal.

9. Who is reviewing my appeal?

The first step in the review process involves the PRE staff of the Department. They will review your appeal information to determine if sufficient evidence exists to reinstate the exemption or partial exemption. If it is found that the exemption should be reinstated, you, the county treasurer, and the local unit assessor will be notified, in writing, that the exemption for the given years has been reinstated. If we are unable to resolve the matter based on the information you supply, we will forward your file to the Hearings Division. The Hearings Division will schedule an informal conference and will notify you of the date, time and place.

10. How will I know the result of the appeal review by the PRE staff, if they determine that sufficient evidence was provided to rule in my favor?

If your documentation shows the property was occupied as the owner's principal residence, the denial will be removed for the year(s) in question. You, the county treasurer and the local unit assessor will be notified, in writing, that the exemption has been reinstated.

11. How will I know the result of the appeal review by the PRE staff, if they determine that insufficient evidence was provided to rule in my favor?

If your documentation does not show that the property was occupied as the owner's principal residence, a letter will be sent to you advising that your file will be forwarded to the Hearings Division for an informal conference. That office will notify you of the date, time, and place of the informal conference.

12. What if I disagree with the ruling of the Hearings Division?

You may appeal the decision of the Hearings Division to the Small Claims Division of the Michigan Tax Tribunal.

13. What if the property was foreclosed upon and is now owned by a mortgage company or some other business?

In order for property to qualify for the PRE, the owner must be a living person(s) who holds legal title to the parcel. A partnership, corporation, limited liability company, association, or other legal entity does not meet the requirements of an "owner" as defined by MCL 211.7dd. In addition, if the owner, prior to foreclosure, did not occupy the property as his or her principal residence, the additional tax, penalty and interest for those years would become a lien against the property since valuable consideration was not given for the property.

14. Do I have to pay additional taxes before I can appeal?

No. Taxes do not have to be paid at the time of the appeal. However, penalty and interest will continue to accrue. If your appeal is not successful and the denial is upheld, the penalty and interest will be charged from the original due date of the taxes.

15. How can I find out how much my adjusted bill is/will be?

You will receive a bill for corrected or adjusted taxes by mail. Depending on your specific circumstances, the bill can come from either the Department or your local or county treasurer. You may contact your local or county treasurer to obtain the amount of the corrected or adjusted taxes if a bill has not yet been received.

16. Can I have any interest or penalties waived?

The General Property Tax Act does not provide a provision for waiver of interest.

17. Can I make a partial payment?

Most counties and local units require full payment. If a taxpayer is allowed to make a partial payment, any funds received will first be applied to penalties and interest. The remainder of taxes owed will continue to accumulate interest and may result in a lien against the property.

18. Why was my PRE denied on my parcel of land next to my home?

Generally, land adjoining or contiguous to a person's principal residence qualifies for a PRE if that person owns the adjoining or contiguous parcel(s). However, the adjoining or contiguous parcel must be classified as residential and be unoccupied to qualify for the exemption.

19. Why did I receive a PRE denial on my agricultural property?

The Department does not review Qualified Agricultural Exemptions. However, because a Qualified Agricultural Exemption results in the same tax savings as a PRE, some assessors place a PRE on agricultural property. If a valid agricultural exemption exists and covers the years at issue, that exemption on the parcel(s) will remain unchanged. The assessor should be contacted to fix the discrepancy and the Department should be notified in accordance with the appeal process explained in the denial notice.

20. Why was I denied and billed for years that I did not own the property?

The Department was unable to verify that you did not own the property for all of the years denied. In addition, the county and local unit may not have been aware of the discrepancy at the time of billing. The best way to make the correction is to proceed with the appeal process by providing documentation that you did not own the property for the specific years. The county treasurer and local unit will be informed of the results of the appeal.

21. I received the denial notice and didn't realize what it was until I received the additional tax bill. Now it's well after the 35 days to appeal. What can I do?

MCL 211.7cc gives the taxpayer 35 days to appeal a denial from the date the denial was received. There is nothing in the statute to allow the Department to give you additional time if the denial was received.

22. I did not receive the denial notice, but received the additional tax bill. Now it's well after the 35 days to appeal. What can I do?

MCL 211.7cc gives the taxpayer 35 days to appeal a denial from the date the denial was received. There is nothing in the statute to allow the Department to give you additional time if the denial was received. You may send in an appeal beyond the 35 days, detailing why the denial notice was not received. The information provided in your appeal will be reviewed and you will be notified in writing of the Department's decision.

23. Where can I find more information about PREs?

Information regarding PREs is found at www.michigan.gov/pre.