

CITY OF READING, MICHIGAN

Resolution # _____

2023 Resolution to Adopt Poverty Exemption Income Guidelines and Asset Test

WHEREAS, the General Property Tax Act, MCL 211.7u, states that the principal residence of a person who, in the judgment of the supervisor (chief assessing officer) 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 the General Property Tax Act; and

WHEREAS, the governing body of the local assessing unit is required to determine and make available to the public the policy and guidelines used in determining eligibility for exemption by reason of poverty, including, but not limited to, the specific income and asset levels of the claimant and total household income and assets;

NOW, THEREFORE, BE IT HEREBY RESOLVED, pursuant to MCL 211.7u, that the **City of Reading, Hillsdale County**, adopts the following guidelines for the board of review to implement:

To be eligible for exemption under this section, a person must do all of the following on an annual basis, after January 1 but before the last day of the December board of review:

- 1) 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 Form 5739 – *Affirmation of Ownership and Occupancy to Remain Exempt by Reason of Poverty* (prescribed by the state tax commission) with the local assessing unit.
- 2) File a claim with the board of review on Form 5737 – *Application for MCL 211.7u Poverty Exemption* (prescribed by the state tax commission). This form must be completed in full and shall be accompanied by:
 - a) Most recently filed federal and state income tax returns for all persons residing in the principal residence, including any property tax credit returns. Income tax returns must have been filed in the immediately preceding year or in the current year.
 - b) If federal and state income tax returns are not required for a person residing in the principal residence in the tax year in which the exemption is claimed or in the immediately preceding year, form 4988 – *Poverty Exemption Affidavit* (prescribed by the state tax commission) may be accepted in place of the federal or state income tax return.
 - c) If not submitting income tax returns filed in the current year, proof of current income in the form of paystubs or award letters including, but not limited to rent, employment, alimony, child support, social security, disability, unemployment, veteran's payments, supplemental social security income (SSI), student financial aid or grants available for housing, or any other type of public or private assistance for all persons residing in the principal residence.

- d) Profit and loss statements for all self-employment or business ventures for all persons residing in the principal residence.
 - e) Copies of all bank and/or debit card statements for the immediately preceding 6 months for all persons residing in the principal residence.
- 3) Produce a valid driver license or other form of identification if requested by the board of review.
 - 4) Produce a deed, land contract, or other evidence of ownership of the property for which an exemption is requested if requested by the board of review.
 - 5) **INCOME TEST.** Total household income from all sources must be below the federal poverty income guidelines as published in Michigan State Tax Commission Bulletin 19 of 2022, being:

# in Household	Income Limit for Federal Poverty Standard	Monthly Equivalent	Weekly Equivalent
1	\$ 13,590.00	\$ 1,132.50	\$ 261.35
2	\$ 18,310.00	\$ 1,525.83	\$ 352.12
3	\$ 23,030.00	\$ 1,919.17	\$ 442.88
4	\$ 27,750.00	\$ 2,312.50	\$ 533.65
5	\$ 32,470.00	\$ 2,705.83	\$ 624.42
6	\$ 37,190.00	\$ 3,099.17	\$ 715.19
7	\$ 41,910.00	\$ 3,492.50	\$ 805.96
8	\$ 46,630.00	\$ 3,885.83	\$ 896.73
For Each Additional Person	\$ 4,720.00	\$ 393.33	\$ 90.77

Total household income higher than these limits shall result in denial of the poverty exemption.

- 6) **ASSET TEST.** If the applicant passes the income test, the board of review shall also consider the household assets in determining eligibility for exemption. Household assets are an indication of funds available for payment of taxes either directly, through liquidation, or as equity to secure funds. Assets may include but are not limited to cash, checking and savings accounts, prepaid debit or gift cards, real estate, investment accounts, trust accounts, pensions, stocks, automobiles, recreational vehicles, and any other potential source of equity or income. The asset guidelines adopted for 2023 are as follows:
 - a) The board of review shall consider both liquid and non-liquid assets held by any member of the household.
 - b) The equity of the principal residence for which exemption is requested shall not be considered as an asset available for payment of the taxes; however, additional buildings and land in excess of the minimum required under local ordinance or state construction

code for a residence, even if assessed and taxed on the same parcel, may be considered assets and a potential source of income or equity.

- c) Each working member of the household shall be allowed one vehicle exempt from consideration; provided, however, that the equity in the vehicle (blue book value less secured loan balance) shall not be more than \$5,000.
- d) Total liquid assets (cash, prepaid debit cards, checking and savings accounts, or any other asset easily converted into cash) of the property owner(s) residing in the principal residence must be below \$5,000 to qualify; the combined total equity value of all household assets must be below \$10,000 to qualify.

Household assets in excess of these limits shall result in denial of the poverty exemption.

- 7) **REDUCTION CALCULATION.** MCL 211.7u(5) provides that if an applicant meets all eligibility requirements, the board of review shall grant the poverty exemption in full (100% reduction in taxable value) or in part (50% or 25% reduction). The following guidelines shall be used for determining the reduction in taxable value:
 - a) 100% reduction (full exemption) if liquid assets of the property owner(s) residing in the principal residence are below \$2,500 and total household assets are below \$5,000.
 - b) 50% reduction (partial exemption) if liquid assets of the owner(s) residing in the principal residence are between \$2,500 and \$3,750 *or* total household assets are between \$5,000 and \$7,500.
 - c) 25% reduction (partial exemption) if liquid assets of the owner(s) residing in the principal residence are between \$3,750 and \$5,000 *or* total household assets are between \$7,500 and \$10,000.
- 8) **EXTENSION.** Pursuant to the provisions contained in MCL 211.7u(6) a principal residence exempt from collection of taxes under this section in tax year 2022 shall remain exempt under this section for 2023, provided that ALL of the following conditions apply:
 - a) There has not been a change in ownership or occupancy status of the person to whom the exemption was granted in 2022. The person shall affirm this ownership and occupancy status in writing by filing Form 5739 – *Affirmation of Ownership and Occupancy to Remain Exempt by Reason of Poverty* (prescribed by the state tax commission) with the local assessing unit.
 - b) The person to whom the exemption was granted in 2022 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.

- c) The person to whom the exemption was extended shall file an affidavit rescinding the exemption within 45 days if either of the following occurs:
 - 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.
 - iii) Failure to rescind the exemption within 45 days shall result in repayment of any additional taxes with interest at a rate of 1% per month computed from the date the taxes were last payable without interest. Taxes and interest shall be billed within 30 days of discovery by the assessor, payable within 60 days of billing without additional interest.
- d) Pursuant to the provisions contained in MCL 211.7u(9), the City Assessor shall develop and implement an audit program that includes, but is not limited to, the audit of all information filed by the person to whom the exemption was initially granted to determine eligibility in tax years 2019-2022. If property is determined to be ineligible for exemption as a result of an audit, the person who filed for the exemption is subject to repayment of additional taxes including interest to be paid as provided in MCL 211.7u(6)(b).

BE IT ALSO RESOLVED that the board of review shall follow the above stated policy and guidelines in granting or denying an exemption for poverty from collection of the 2023 property taxes.

These guidelines and the forms referenced shall be made available to the public at the office of the assessor and/or treasurer, and on any website maintained by the local assessing unit.

The foregoing resolution offered by _____, and supported by

_____.

The vote in favor of the resolution being as follows:

Roll call: _____

Motion passed, ___ - ___

Resolution declared adopted.

Date: _____

Melani Matthews, Mayor

Kimberly Blythe, Clerk

CERTIFICATION

As the Clerk for the City of Reading, Hillsdale County, Michigan, I certify that this is a true and complete copy of a resolution adopted by the Reading City Council, Hillsdale County at its Regular meeting, held _____, 2023.

Kimberly Blythe, Clerk