

Principal Residence Exemption Denials by the Michigan Department of Treasury Frequently Asked Questions

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

A Principal Residence Exemption (PRE) exempts a principal residence from the tax levied by a local school district for school operating purposes up to 18 mills. MCL 211.7dd(c) defines a “principal residence” as the one place where a person has his or her true, fixed, and permanent home, to which, whenever absent he or she intends to return. A “principal residence” also includes all of an owner’s unoccupied property classified as residential or timber-cutover that is adjoining or contiguous to the dwelling subject to ad valorem taxes and that is owned and occupied by the owner. *Owner* is defined in MCL 211.7dd(a).

2. Why did I get a PRE denial notice?

The Michigan Department of Treasury (Department) mailed a questionnaire requesting documentation to verify that you owned and occupied the property as your principal residence, and either no response to that questionnaire was received or the response received did not verify that you owned and occupied the property as a principal residence or met the other requirements stated in MCL 211.7cc and MCL 211.7dd for the year(s) being denied.

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

If you disagree with the denial you may appeal by requesting an informal conference with the Department. Your request for an informal conference must be received by the Department within 35 days from the date you received the denial notice. Mail the letter requesting an informal conference and any available documentation to the Michigan Department of Treasury, Principal Residence Exemption Unit, PO Box 30440, Lansing, MI 48909. Appeals that are not timely received by the Department will not be granted an informal conference. Your appeal letter must request an informal conference and explain your reasons for disagreeing with the denial. You should include documentation with your appeal request and a telephone number where you can be reached during the day (see question #5 and #6 below). However, you should not delay filing your appeal request while you compile documentation. The documents can be supplied after you file your initial request for an informal conference. By statute, a denial issued by the Department must be initially appealed to the Department not to the Michigan Tax Tribunal.

4. Can an attorney or other representative appeal on my behalf?

An attorney or other representative may appeal on your behalf. However, an **Authorized Representative Declaration (Power of Attorney), Form 151**, is required to be on file with the PRE Unit authorizing the attorney or other representative to act on your behalf.

5. What documentation is acceptable to verify ownership?

A 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.

6. What documentation is acceptable to verify occupancy?

Proof of occupancy as a principal residence does not depend on any particular fact, but on whether all the facts and circumstances taken together tend to establish that the property was occupied by the person asserting eligibility for the PRE. Documentation should be for the years denied by the Department. Generally, documentation demonstrating occupancy may include:

- A. Both sides of a driver’s license with property address.
- B. A voter’s registration record.
- C. Motor vehicle registration.
- D. Utility bills with the mailing address of the property.
- E. Cable bills with the mailing address of the property.
- F. Telephone bills with the mailing address of the property.
- G. Bank and charge accounts showing purchases in the vicinity of the property.
- H. Medical bills with the mailing address of the property.

NOTE: This is not an all-inclusive list and no one item is particularly controlling. Ultimately, the burden of proof is on the taxpayer to prove eligibility for a PRE. When submitting documentation, remember to blackout any sensitive information.

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 anywhere from several months to a year to complete the review of the appeal.

9. Who will review my appeal?

The PRE staff will review your appeal information to determine if sufficient evidence exists to reinstate the exemption or partial exemption.

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 qualified for the PRE, 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 was not sufficient to prove a person was eligible for a PRE, your file will be forwarded to the Hearings Division for an informal conference. That office will notify you by certified mail 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 within 35 days of the denial. An appeal with the Michigan Tax Tribunal can be initiated by the timely filing of a petition. The petition must be a Michigan Tax Tribunal form or a form approved by the Michigan Tax Tribunal. Michigan Tax Tribunal forms are available at www.michigan.gov/taxtrib. You can print the form (i.e., Petition for Denial of Exemption for Principal Residence/Qualified Agricultural) and mail the completed form to the Michigan Tax Tribunal at PO Box 30232, Lansing, Michigan 48909 or complete the form online and submit it electronically, if provided for by the Michigan Tax Tribunal.

13. Will I receive a bill as a result of the denial notice?

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.

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

Taxes do not have to be paid at the time of the appeal. However, interest at a rate of 1.25% per month or fraction of a month and any related fees may be added as permitted or mandated by law. If your appeal is unsuccessful and the denial is upheld, interest and related fees will be charged from the original due date of the taxes. The Department recommends that you pay the supplemental tax bill. This stops interest from accruing. You will receive a refund if the denial is overturned.

15. Can I have any interest waived?

The Department may waive interest in circumstances involving an assessor's error as detailed in Subsection (8) of **MCL 211.7cc**. The assessor must complete an *Assessor's Affidavit to Waive Principal Residence Exemption Denial Interest* (Form 4813) and include all of the required documentation.

16. 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 interest and related fees. The remainder of taxes owed will continue to accumulate interest and may result in a lien against the property.

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

The PRE on your contiguous or adjoining property was denied because the property *was not classed residential, or timber-cutover, and/or the property was not unoccupied.*

18. 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.

19. Where can I find more information about PREs?

Information regarding PREs, including links to the controlling statutory language (**MCL 211.7cc**; **MCL 211.7dd**; and **MCL 211.120**), are online at www.michigan.gov/pre.



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BONA FIDE PURCHASER EXCEPTION

Under MCL 211.7cc, “if the property has been transferred to a bona fide purchaser before additional taxes were billed to the seller as a result of the denial of a claim for exemption, the taxes, interest, and penalties shall not be a lien on the property and shall not be billed to the bona fide purchaser...” The local tax collecting unit in possession of the tax roll then notifies the Department of Treasury (Department) who “shall then assess the owner who claimed the exemption under this section for the tax, interest, and penalties accruing as a result of the denial of the claim for exemption...” In other words, the seller (the person the Department denied) is responsible for all additional taxes, interest and penalties due for years up to and including the year of the sale if the purchaser is a bona fide purchaser. The Principal Residence Exemption (PRE) is not removed in a bona fide purchaser situation.

A bona fide purchaser is one who purchases in good faith for valuable consideration. Therefore, a person who receives property through an inheritance or foreclosure or one who receives property through a quit claim without valuable consideration, would not qualify as a bona fide purchaser. If the new owner is not a bona fide purchaser, the taxes are added back to the tax roll and the purchaser is responsible for the additional taxes, interest and penalties which become a lien on the property.

In order for the Department to process a request to bill the seller (the person the Department denied) for additional taxes, interest and penalties in a bona fide purchaser situation, a Request to Bill Seller Following a PRE Denial, Form 4816, must be completed and submitted to the Department along with the required documentation. The form can be found at www.michigan.gov/PRE under “PRE Related Forms.”