

Homestead Audit

PA 105 OF 2003 as amended

An audit is being conducted throughout the State of Michigan to locate those owners who have incorrectly claimed a principal residence exemption. A principal residence exemption used to be called a homestead exemption. The state changed the name to avoid confusion with the homestead exemption claimed on your Michigan Income Tax Return.

The audit may cover the current tax year and three years prior to the current tax year.

A principal residence exemption means that the property owner is occupying the property as their principal residence and is exempt from the school operating millage. School operating millage is usually 18 mills.

If your property is audited, you must provide the verification requested or your principal residence exemption may be automatically denied. A denial may be appealed to the Michigan Tax Tribunal if the appeal is made within 35 days of receipt of the denial.

Questions & Answers

Q. If I receive an audit letter, does that mean my principal residence exemption is not correct?

A. No. An audit letter means that comparison of data on the property produced a question and more information is needed. If the principal residence exemption is denied, the owner will receive a denial form and a bill within 30 days after the denial is issued.

Q. What are some examples of incorrect claiming of a principal homestead exemption?

A. The owner did not occupy residence by May 1 in the year the principal residence exemption was claimed.

The owner is not a Michigan resident

The owner filed their Michigan Income Tax as a non-resident for the year the principal residence exemption was claimed.

The owner claims the entire property as their principal residence but a portion of the property is rented to others or used as a business. In this scenario, the owner may be entitled to a partial exemption.

The property is owned by a corporation, S-Corp, partnership, LLC, an estate, associations or other non-profit entities.

Married owners have each claimed a principal residence exemption on two parcels of property under their ownership and have filed a joint income tax return.

Before May 1, the property has changed from the owner's principal residence to a rental unit in the year the principal residence exemption was claimed.

The owner sold the property but did not file a principal residence rescission form with the township or city assessor where the property is located.

The owner is in a nursing home or some other care facility and the property is being rented.

Q. Could there be an exception where it would appear that the principal homestead exemption is not correct but it is actually correct?

A. Yes there can be some exceptions. An owner may receive an audit letter and their principal residence exemption is correct . If you receive an audit letter and your principal residence exemption is correct the owner still must return the requested verification.

Examples of exemptions:

An owner is in the military and files an income tax as a non-resident but actually maintains the property as their principal residence. Meaning, his/her family resides on the property and the property is not rented to others.

Two people own two pieces of property. Each person occupies one of the parcels. When the principal residence exemption affidavit was filed, only one owner signed the form. It then appears that one owner is claiming two principal residence exemptions on two pieces of property.

The owner has not updated their mailing address with the local unit assessor so that it reflects the property address as the mailing address.

The owner has a land contract or other such transfer document that is not recorded with the register of deeds.

The owner runs a child care facility out of the residence which is an allowed use.

The property is classified as commercial but is a residence located in a commercial area that was occupied by the owner by May 1 in the year the principal homestead exemption was claimed.

The owner is in a nursing home or other care facility and the property is not rented and the owner's mailing address has temporally been changed to the nursing home address or some other address.

The owner has split off a portion of the original parcel or combined a contiguous parcel which had a principal residence exemption but did not file a new principal residence affidavit on the new property code created after the parcel was split or combined.

Q. I sold the property and I incorrectly claimed a principal residence exemption for the years I owned the property prior to the sale. Who will be billed for the additional taxes and interest due?

A. The owner will be billed who owned the property (seller) in the year the incorrect principal residence exemption was claimed. The seller's bill will be transmitted to the Department of Treasury for collection.

Q. I own farmland that has a qualified agriculture exemption on the parcel. Is qualified agriculture property also being audited under PA 105?

A. No, not at this time. However, the owner of qualified agriculture property should check to make sure that the property continues to be used as qualified agriculture property. An owner of qualified agriculture property may receive an audit letter due to comparisons in the computerized database. Again, just respond to the letter with the verification requested.

Q. I know my principal residence is not correct for one or more of the tax years being audited. What do I do if I have not received an audit letter?

A. Send a letter to the Chocolay Township Assessor, 5010 US 41 S, Marquette MI 48955 stating your name, address, phone number; the property code; the property address; state the year(s) for which the principal residence exemption should be denied on that property. If you know the exemption is claimed incorrectly and you do not notify the township assessor all that will happen is

that eventually you will be located in an audit and it will add unnecessary additional interest costs to your tax amount due.

Q. I own property that has a principal residence exemption. If I sell the property, are there any forms to file to remove the principal residence exemption on that parcel? Do I have to fill out another form if I buy a property that I will occupy as my principal residence?

A. When you sell property that had a principal residence exemption you must complete a Request to Rescind Principal Residence Exemption form and transmit the form to the city/township assessor where the property is located. The form needs to be completed and transmitted within 45 days after the property transfers ownership or penalties may be assessed for late filing. Always make a copy of the completed form for your records.

When you purchase a new home you must complete a Principal Residence Affidavit and transmit it to the township/city assessor where the property is located. If the assessor does not receive a new Principal Residence Affidavit, you will not receive the exemption until you complete and transmit the form. Forms are available on the home page of this web site. Always make a copy of the completed form for your records.

Q. What will happen if my principal residence exemption is denied and I do not pay the additional taxes and interest due?

A. Sixty (60) days after the initial PA 105 billing, the 1.25% interest will again start to accrue each month on the base tax due until paid. In the year following the denial year, the amount due will be determined to be delinquent tax. If the delinquent tax remains unpaid it will be processed under PA 123 property forfeiture and foreclosure process.

If you receive a bill under PA 105, pay the bill or make partial payments until paid in full. The Marquette County Treasurer's office accepts credit card and e-check payments for delinquent real property taxes. Or contact the office at 234 W. Baraga Ave. Marquette, MI 49855; PH: (906)225-8425 FAX: (906)225-8432; Office Hours: Mon-Fri 8-5 PM

Q. What is the difference between rescinding my principal residence exemption when I transfer ownership of the property and withdrawing my principal residence exemption if I find that I claimed the exemption in error in a prior tax year?

A. If you transfer ownership of property that has a principal residence exemption you must file the rescission form with the city/township assessor no later than 45 days after the transfer of ownership.

If you learn that you have been granted a principal residence exemption in error on prior tax years the option to use the withdrawal form to remove that exemption is no longer available. You would contact the Chocolay Township Assessor and the exemption would be denied. The Marquette County Treasurer would issue the tax bill due for underpayment of school operating taxes.

Q. I checked my tax bills and noticed that I have never been granted a principal residence exemption even though I owned and occupied the property as my principal residence for many years. What do I do?

A. The city/township assessor can go back and grant a principal residence exemption for the current year and three years prior. Complete a Principal Residence Affidavit and send it to your local assessor where the property is located. Call your assessor and he/she will give you guidance on what to do and for the number of years that the exemption will be granted based on your specific ownership criteria.