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DEPARTMENT OF TREASURY
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Principal Residence Exemption

TO: Assessors and Equalization Directors

FROM: Michigan State Tax Commission

SUBJECT: Key Points for Assessors in the Administration of the Principal Residence Exemption

Bulletin Nos. 3 of 1994 and 9 of 2003 are rescinded.

The purpose of this Bulletin is to provide an overview of essential information for assessors regarding the Principal Residence Exemption (PRE), MCL 211.7cc and MCL 211.7dd. It is important that assessors understand the PRE denial process, rescission process, appeal process, interest waiver process, and any legislative changes to the PRE statute. More detailed information can be found in the [Department of Treasury's Principal Residence Exemption Guidelines](#).

Additional information can be found at www.michigan.gov/PRE. The website contains links to all of the forms necessary to administer the PRE in addition to specific resources for use by county and local officials. It is recommended that assessors check for updated forms periodically to ensure that the most recent form is being used.

To contact the PRE Unit for questions or additional information, call (517) 335-7487 or email pre@michigan.gov.

Claiming a PRE

A person who owns and occupies a property as a principal residence and wishes to claim a PRE must file Form 2368 *Principal Residence Exemption (PRE) Affidavit* with the local unit (city or township) on or before June 1 for the summer tax levy OR on or before November 1 for the winter tax levy (MCL 211.7cc(2)). Form 2368 must be filed to receive a PRE. The local unit must date stamp Form 2368 upon receipt and must retain a copy for their records. The local unit only has to provide a copy to Treasury if it is requested.

Upon receipt of Form 2368, the assessor shall either grant the PRE or issue a written denial notice. If the claim for exemption is granted, the assessor shall exempt the property from the collection of the tax levied by a local school district for school

operating purposes until December 31 of the year in which the property is transferred or properly rescinded by the owner claiming the exemption.

The complete social security number (SSN) is not required on any PRE related document; however, the last four digits may be requested. If a county or local unit is in possession of PRE related documents with complete SSNs, redaction of at least the first five numbers should occur. The property owner's SSN is confidential and protected from unlawful use. Willful, unauthorized disclosure of a SSN may violate state and federal statutes and penalties are severe. These are the same penalties imposed for the unauthorized disclosure of tax return information and may include imprisonment for up to five years and/or a fine of up to \$5,000.

PRE – Qualified Error

MCL 211.7cc(20) provides a process for property owners to request a PRE that was not included on the tax roll in any year before the 3 immediately preceding tax years when the exemption was excluded because of a qualified error on the part of the local unit. The owner must submit a completed Form 5101 *Request for PRE – Qualified Error* to Treasury with a \$150 processing fee. The owner must also provide verification that they owned and occupied the property as a principal residence and that a qualified error occurred that resulted in the failure of the PRE being placed on the tax roll.

If Treasury grants the request, a letter is sent to the owner, assessor, and county treasurer advising them that a rebate, including any interest paid by the owner, shall be paid to the owner within 30 days of the receipt of the notice. The \$150 processing fee is refunded only when Treasury has granted the request. If Treasury denies the request, a letter is sent to the owner, assessor, and county treasurer advising them of the denial and providing the owner with appeal rights to the Michigan Tax Tribunal.

Special Circumstances When an Owner can Retain a PRE While Absent

Nursing Home, Assisted Living, and Convalescence

MCL 211.7cc(5) indicates that an owner who previously occupied a property as a principal residence but now resides in a nursing home, assisted living facility, or if residing elsewhere solely for the purposes of convalescence, may retain the PRE on the property previously occupied as a principal residence as long as they manifest an intent to return. Convalescence means a state of recovering from a disease, operation, or injury. A convalescent may choose to be cared for at home or a relative's home rather than in a nursing home or assisted living center. For example, a person who has just had a stroke and who is recovering and rehabilitating at a relative's home is an example of a convalescent. The owner manifests an intent to return by satisfying all of the following conditions: the owner continues to own the property while residing in the nursing home, or assisted living facility, or any other location for convalescence; the owner has not established a new principal residence; the owner maintains or provides for the maintenance of the property while residing in the nursing home or assisted living facility or any other location for convalescence; and the property is not leased and is not used for any business or commercial purpose.

Active Duty Military

If the person owned and occupied the property as a principal residence but is now absent from the property as a result of active duty obligations, the exemption may be retained if the property is not rented or leased and the owner intends to return to occupy the property as a principal residence upon completion of active duty in the armed forces of the United States.

Under MCL 211.7dd(c), if the property is rented or leased while absent from the property, the owner may still retain the exemption if the owner files Form 4660 *Principal Residence Exemption Active Duty Military Affidavit* with the assessor of the local unit, on or before May 1, attesting that the intent to return to occupy the property as a principal residence upon completion of active duty in the armed forces of the United States. If the owner timely filed Form 4660, the owner can only retain the exemption for three years if the property continues to be rented or leased. If the owner did not file or timely Form 4660, the owner is not entitled to the PRE and the assessor should deny the exemption. The assessor has no authority to grant an untimely filed Form 4660.

Demolished Home

MCL 211.7cc(33) allows an owner of property who previously occupied and claimed that property as a principal residence, but has vacated due to damage or destruction by an accident, act of God, or act of another person without the owner's consent, to retain the PRE on that property for the tax year in which the damage or destruction occurred and the immediately succeeding two tax years if the owner manifests an intent to return. The owner manifests an intent to return by satisfying all of the following conditions: the owner continues to own the property while absent due to the damage or destruction; the owner has not established a new principal residence; the owner provides for reconstruction of the principal residence for purposes of occupying the reconstructed dwelling upon its completion; and the property is not occupied, leased, or used for any business or commercial purpose.

Rescissions of PREs

Rescission Once No Longer Owned and Occupied as a Principal Residence

A person receiving a PRE on a property that is no longer entitled to the PRE must rescind that claim by filing Form 2602 *Request to Rescind a PRE* with the local unit not more than 90 days after the exempted property is no longer used as a principal residence by the owner claiming the exemption (MCL 211.7cc(5)). Form 2602 must be filed in order for the assessor to remove the PRE from the tax roll effective December 31 of the year the request is filed. The local unit must date stamp Form 2602 upon receipt and shall retain a copy of the request for their records. The local unit only has to provide a copy to Treasury if it is requested.

Owner's Conditional Rescission

A conditional rescission allows an owner to receive a PRE on the current principal residence and retain a PRE on that owner's previously exempt property simultaneously, for up to three years. The condition rescission is claimed by the owner by submitting Form 4640 *Conditional Rescission of a Principal Residence Exemption* by June 1 OR November 1 of the first year of the claim. The owner must meet all requirements in MCL 211.7cc(5) to receive the benefit of the conditional rescission: (1) the property was previously exempt as that owner's principal residence; (2) the property is for sale; (3) the property is not occupied; (4) the property is not leased; (5) the property is not used for business or commercial purposes; and (6) the owner established a new principal residence in Michigan.

The owner must annually submit Form 4640 on or before December 31 to verify to the assessor that the property for which the PRE is retained met the requirements for the conditional rescission.

Foreclosure Entity Conditional Rescission

A foreclosure entity conditional rescission allows a land contract vendor, bank, credit union or other lending institution (foreclosure entity) to retain a PRE on foreclosed property for up to 3 years by submitting Form 4983 *Conditional Rescission of a Foreclosure Entity Conditional Rescission of a Principal Residence Exemption (PRE)* by June 1 OR November 1 of the first year of the claim. The foreclosure entity must meet the eligibility requirements in MCL 211.7cc(5): (1) the foreclosure entity must be a land contract vendor, bank, credit union, or other lending institution; (2) the foreclosure entity must own the property as a result of a foreclosure or forfeiture, or through deed or conveyance in lieu of a foreclosure or forfeiture; (3) the property must have been subject to a principal residence exemption immediately preceding the foreclosure or forfeiture; (4) the property cannot be occupied; (5) the property must be for sale; (6) the property cannot be leased to any person other than the person who claimed the principal residence exemption immediately preceding the foreclosure or forfeiture; (7) the property must not be used for any business or commercial purpose; and (8) the foreclosure entity must pay to the local unit an amount equal to the amount of taxes that the foreclosure entity would have paid if the property were not subject to a principal residence exemption and must pay an administration fee equal to the property tax administration fee imposed under Section 44 of the General Property Tax Act.

The foreclosure entity must annually submit Form 4983 on or before December 31 to verify to the assessor that the property met the requirements for the foreclosure entity conditional rescission.

Substantially Similar Exemption In Another State

Public Act 121 of 2017 prohibits a person from rescinding a substantially similar exemption in another state to qualify for a Michigan PRE for any years the Michigan PRE has been denied. There is \$500 penalty for a person who claimed a Michigan PRE and a substantially similar exemption in another state. A claim for a similar exemption occurs at the time of the filing or granting of that exemption in the other state.

Within 30 days of a request by Treasury, the local unit, the county treasurer, or the county equalization director, a person who claimed a Michigan PRE must file Form 5565 *Affidavit for Similar Exemptions in Other States* stating that they did not claim a substantially similar exemption, deduction, or credit in another state.

Board of Review Authority Over PRE Claims and Denials

Public Act 141 of 2022 eliminated the July and December Board or Review appeal process in MCL 211.7cc(15) and 211.53b regarding claiming a principal residence exemption for which the exemption was not on the property for the current and previous three years.

There is no Board of Review authority to grant or deny a PRE. An owner who owned and occupied a principal residence within the time period prescribed in MCL 211.7cc(2) for which the exemption was not on the tax roll must file Form 2368 *Principal Residence Exemption (PRE) Affidavit* with the local unit claiming an exemption for the current calendar year or the immediately preceding three calendar years. If requested by the assessor, the owner is required to furnish proof within 30 days that the owner meets the requirements to receive the PRE for the year(s) being claimed.

Assessors are asked to ensure that the Boards of Review do not take action related to PRE claims.

Denial Notices and Appeal Rights

City or Township Denials

The assessor may deny a new PRE claim (newly submitted Affidavit where the PRE is not yet on the tax roll) or an existing PRE claim for the current and 3 immediately preceding calendar years (MCL 211.7cc(6)). The assessor shall use Form 2742 *Notice of Denial* which provides the owner with the proper appeal rights to the Michigan Tax Tribunal. The assessor shall provide the owner with the original denial notice, retain a copy for his or her records, and mail a copy to Treasury. Form 2742 shall also be used by the assessor when a conditional rescission is denied by the assessor.

County Denials

The county treasurer or county equalization director of an opt-in county may deny a PRE claim for the current and 3 immediately preceding years. Treasury recommends the use of Form 4075 *Notice of Denial* when a county issues a denial notice. The notice provides the owner with the proper appeal rights to the Michigan Tax Tribunal (MCL 211.7cc(11)). The county shall provide the owner with the original denial notice, retain a copy for his or her records, and mail a copy to Treasury.

Treasury Denials

Treasury has an extensive PRE audit program in place where PREs in counties throughout Michigan are audited by a third-party contractor. Treasury may deny a PRE claim for the current and 3 immediately preceding years. Treasury will notify the owner by letter which includes their appeal rights to the Hearings Division of the Michigan Department of Treasury (MCL 211.7cc(8)). Treasury notifies the assessor, county treasurer, and county equalization director of the denial by email.

Further details of the audit program along with frequently asked questions related to Treasury issued denials can be found at www.michigan.gov/PRE.

Waiver of Interest

Under MCL 211.7cc(8), only Treasury has the authority to waive interest resulting from a PRE denial. Treasury may waive interest for the current tax year and the immediately preceding 3 tax years if the assessor completes, signs, and submits to Treasury Form 4813 *Assessor's Affidavit to Waive PRE Denial Interest* with supporting documentation that an error as defined by statute has occurred. Errors that may justify a waiver of interest include: an assessor's classification error; assessor's failure to rescind the exemption after the owner requested in writing that the exemption be rescinded; or other assessor's error. The assessor shall not submit the Assessor's Affidavit if there was no assessor error that would justify the waiver of interest. Treasury provides a decision in writing to the assessor and to the owner. If the request for a waiver of interest is denied, the owner is given appeal rights to the Michigan Tax Tribunal.

Form Retention

Public Act 121 of 2017 eliminated the requirement that the local unit submit to Treasury copies of all filed *Principal Residence Exemption Affidavits* (Form 2368) and *Requests to Rescind Principal Residence Exemption* (Form 2602). These forms along with the *Principal Residence Exemption Affidavit for Similar Exemptions in Other States* (Form 5565) must be forwarded to Treasury only if requested. Assessors are required to keep the original forms and timely provide copies to Treasury upon request.

Public Act 141 of 2022 eliminated the requirements that the following forms be forwarded to the Department of Treasury:

Form 2742 *Notice of Denial of PRE- Local*
Form 4075 *Notice of Denial of PRE-County*
Form 4640 *Conditional Rescission of a PRE*
Form 4983 *Foreclosure Entity Conditional Rescission of a PRE*

The assessor must retain a copy of Form 2742 *Notice of Denial of PRE- Local*; Form 4640 *Conditional Rescission of a PRE*, and Form 4983 *Foreclosure Entity Conditional Rescission of a PRE*. The county treasurer must retain a copy of Form 4075 *Notice of Denial of PRE-County*. The assessor and county treasurer would have to forward a copy of these forms upon Treasury's request.