



500 West Big Beaver
Troy, MI 48084
troymi.gov



CITY COUNCIL AGENDA ITEMS

January 13, 2020

TO: Mark Miller, City Manager

FROM: Bob Bruner, Assistant City Manager
Robert C. Maleszyk, Chief Financial Officer
Nino Licari, City Assessor

SUBJECT: Agenda Item – 2020 Poverty Exemption Guidelines (changes from previous year)

History:

MCL 211.7u states: *“The real property of persons who in the opinion of the Supervisor (read Assessor for Cities) and Board of Review by reason of poverty are unable to contribute toward the public charges is exempt from taxation under this act.”*

In order to grant a Poverty Exemption, the Michigan Tax Tribunal (MTT) has ordered that each community develop a set of guidelines to determine whether the applicant qualifies for a one (1) year exemption from property taxes. (The exemption may be re-applied for each year)

The State Tax Commission (STC) has ruled that the Income Guidelines that are used as a portion of the guidelines may not be less than the Federal Poverty Guidelines established each year. Those guidelines have increased approximately 2.50% on average per set for 2019 (last year saw a 1.20% increase).

As the guidelines include an Assessed Value limit, a Total Asset limit, and changes to the Federal Poverty Income Guidelines, Council is presented with updated guidelines each year for their approval.

The total asset limit is \$153,580 based on the estimated 1.9% Consumer Price Index for this year.



500 West Big Beaver
Troy, MI 48084
troymi.gov

CITY COUNCIL AGENDA ITEMS

Financial Considerations:

- There were 15 exemptions applied for in 2019 at the March Board of Review. Four were granted, totaling \$275,920 in Taxable Value (T/V). This amounts to \$2,826.44 in exempted City taxes.

Since 2002, residents have been allowed to apply for Poverty Exemptions at the July and December Boards of Review.

This year, there were 8 exemptions granted (of 10 applied) at the July Board (\$801,520 T/V), and none at the December Board (of 3 applied). These additional exemptions accounted for exempted City taxes of \$8,210.53.

The total loss of City taxes for Poverty Exemptions in 2019 was \$11,036.97 (compared to \$15,111 in 2018).

Legal Considerations:

- The guidelines are required by the MTT and STC. The attached guidelines meet the requirements of these rulings.

Policy Considerations:

- The guidelines are a State mandated requirement. They do not conform to current Council goals.

Options:

- Council must adopt Poverty Guidelines. Council may adopt the guidelines as presented, or modify them

NL/nl G:\20200113Poverty Exemptions\2020\CouncilPak.docx



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

Bulletin 14 of 2019
October 14, 2019
Procedural Changes for 2020

TO: Assessing Officers and County Equalization Directors

FROM: State Tax Commission

SUBJECT: Procedural Changes for the 2020 Assessment Year

The purpose of this Bulletin is to provide information on statutory changes, procedural changes and reminders for the 2020 assessment year.

A. Inflation Rate Used in the 2020 Capped Value Formula

The inflation rate, expressed as a multiplier, to be used in the 2020 Capped Value Formula is 1.019.

The 2020 Capped Value Formula is as follows:

$$\text{2020 CAPPED VALUE} = (\text{2019 Taxable Value} - \text{LOSSES}) \times 1.019 + \text{ADDITIONS}$$

The formula above does not include 1.05 because the inflation rate multiplier of 1.019 is lower than 1.05.

B. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2020

MCL 211.7u, which deals with poverty exemptions, was significantly altered by PA 390 of 1994 and was further amended by PA 620 of 2002.

Local governing bodies are required to adopt guidelines that set income levels for their poverty exemption guidelines and those income levels **shall not be set lower** by a city or township than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services. This means, for example, that the income level for a household of 3 persons **shall not** be set lower than \$21,330 which is the amount shown on the following chart for a family of 3 persons. The income level for a family of 3 persons may be set higher than \$21,330. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2020 assessments:

Size of Family Unit	Poverty Guidelines
1	\$12,490
2	\$16,910
3	\$21,330
4	\$25,750
5	\$30,170
6	\$34,590
7	\$39,010
8	\$43,430
For each additional person	\$4,420

Note: PA 390 of 1994 states that the poverty exemption guidelines established by the governing body of the local assessing unit shall also include an asset level test. An asset test means the amount of cash, fixed assets or other property that could be used, or converted to cash for use in the payment of property taxes. The asset test should calculate a maximum amount permitted and all other assets above that amount should be considered as available. Please see STC Bulletin 6 of 2017 for more information on poverty exemptions.

Note: P.A. 135 of 2012 changed the requirements for filing documentation in support of a poverty exemption to allow an affidavit (Treasury Form 4988) to be filed for all persons residing in the residence who were not required to file federal or state income tax returns in the current year or in the immediately preceding year. This does include the owner of the property who is filing for the exemption.

C. Sales Studies

Equalization study dates are as follows for 2020 equalization:

- Two Year Study: April 1, two years prior through March 31, current year
- Single Year Study: October 1, preceding year through September 30, current year

For 2019 studies for 2020 equalization the dates are as follows:

- Two Year Study: April 1, 2017 through March 31, 2019
- Single Year Study: October 1, 2018 through September 30, 2019

Note that the time period revisions apply to all equalization studies, that is: sales ratio studies, land value studies and economic condition factor studies for appraisals. Also note that the revised time period for two year studies applies to all real property classifications.

Please be advised that the above sale study dates **are not** the same as the valuation date used in appeals before the Michigan Tax Tribunal. Evidence presented in a Tax Tribunal appeal should reflect the value of the property as of tax day (December 31). This means that sales occurring *after* March 31, 2019 and September 30, 2019 should still be considered and included when submitting evidence in a Tax Tribunal appeal involving the 2019 tax year.

D. Property Classification

The State Tax Commission reminds assessors that classification is to be determined annually and is based upon the use of the property and not highest and best use of the property. The

**City of Troy – Assessing Department
POVERTY EXEMPTION GUIDELINES
INCOME STANDARDS 2020**

The following are the Poverty thresholds as of 12/31/19 for use in setting Poverty Exemption Guidelines for **2020** assessments:

Number of Persons	Poverty
<u>Residing in Homestead</u>	<u>Threshold</u>
1 Person	\$12,490
2 Persons	16,910
3 Persons	21,330
4 Persons	25,750
5 Persons	30,170
6 Persons	34,590
7 Persons	39,010
8 Persons	\$43,430
9 Persons (or more) add \$4,420 for each additional person	

CITY OF TROY
POVERTY EXEMPTION GUIDELINES – 2020

MCL 211.7u *The real property of persons who in the judgment of the Supervisor and Board of Review by reason of poverty are unable to contribute toward the public charges is exempt from taxation under this Act.*

The City of Troy's standard for approving an exemption under the statute is based on an individual determination of hardship.

This is an exemption from taxes. If you claim poverty under the statute, you must file your claim with a Poverty Exemption Affidavit. This exemption is good for one year.

STANDARD #1 Applicants must file a Poverty Exemption Affidavit in order to be considered for any exemption. Documentation such as, Federal/State Income Tax Forms, Homestead Property Tax Credit, W-2 Forms, Deeds or Land Contracts and personal identification is **mandatory**, and must be attached to the Affidavit.

STANDARD #2 A Poverty Exemption will not be granted if the household income is greater than the Income Standards Guideline.

STANDARD #3 Applicants total assets cannot exceed \$153,580.

*The Board of Review may require a home audit and inspection, done by the Assessing Department, as part of the exemption process.

* **The income of every person residing at the home must be reported.**

POVERTY EXEMPTION AFFIDAVIT (for 2020 A/V Year)

(Address)

(Parcel ID #)

1. Household Income: List all prior year income from:

- a) Wages/Tips _____
- b) Social Security _____
- c) Soc. Sec. for resident minors' _____
- d) Pensions _____
- e) Interest/Dividends _____
- f) Unemployment Compensation _____
- g) Sub-Pay _____
- h) Workman's Compensation _____
- i) Aid to Dependent Children _____
- j) Medical Disability Benefits _____
- k) Lottery/Contest/Raffle _____
- l) Annuities _____
- m) Governmental Assistance _____
- n) Insurance/Lawsuit Payouts _____
- o) Alimony/Child Support _____
- p) Rental Income _____

2. Supplemental Assistance: List monthly amount of:

- a) Food Stamps _____
- b) Surplus Food _____
- c) Transportation _____

3. Residence Information:

Is your home paid for? Yes____ No____
If No:
What is your mortgage/land contract balance? _____
What is your monthly payment? _____
Who holds your mortgage/land contract? _____
Do you own any other property? Yes____ No____
If Yes: Attach a copy of your last tax bill.

4. Employment information:

Are you or your spouse currently employed?
Self: Yes____ No____ Spouse: Yes____ No____
Are you or your spouse unable to work (disability, etc.) ?
Self: Yes____ No____ Spouse: Yes____ No____
If Yes: Is this condition permanent?
Self: Yes____ No____ Spouse: Yes____ No____
Provide medical documentation of the disability.

5. Children/Relatives/Boarders:

How many children, relatives, or non-related boarders share your home? _____

Do any of the above, or anyone outside of your home, contribute Financially to your living expenses? Yes ___ No ___

If Yes: How much: per month _____ year _____

6. Transportation:

Do you own any automobiles? Yes ___ No ___

If Yes: Please provide the following information:

Year & Make	Price to you	Balance	Monthly payment
_____	_____	_____	_____
_____	_____	_____	_____

7. Additional Assets:

Please provide information about any additional assets listed.

Checking Account: Yes ___ No ___ Current Balance _____

Savings Account: Yes ___ No ___ Current Balance _____

I.R.A. Yes ___ No ___ Current Balance _____

Keogh Yes ___ No ___ Current Balance _____

Deferred Comp Yes ___ No ___ Current Balance _____

Annuities Yes ___ No ___ Current Balance _____

Stocks/Bonds/Funds Yes ___ No ___ Current Balance _____

Money Market Yes ___ No ___ Current Balance _____

Treasury Bills Yes ___ No ___ Current Balance _____

Savings Bonds Yes ___ No ___ Current Balance _____

8. Attach copies of the following:

- a) Federal Income Form
- b) State Income Tax Form
- c) **Homestead Property Tax Credit form**
- d) Property Tax Credit Form
- e) W-2 Forms
- f) Copy of Deed or Land Contract
- g) Identification: Driver's License
- h) A listing of your household living expenses for the prior year. (examples: heat, electric, insurance, etc.)

You must provide proof of income and other records of all residents of the dwelling to be considered for an exemption.

I (We), _____ [print name(s)]
the undersigned, do hereby affirm that the above information is,
to the best of my (our) knowledge, true.

(Signed) Phone Number _____

(Signed) Phone Number _____

Subscribed and sworn to me this _____ day of _____, _____.
My commission expires _____
Notary Public _____

APPROVED:	NOT APPROVED:
Assessor: _____	Assessor: _____
Board Chairperson _____	Board Chairperson _____
Board Member _____	Board Member _____
Board Member _____	Board Member _____

Year _____ Assessment _____ Board of Review A/V _____

For a March Board of Review Appeal, please submit by March 10
For a July Board of Review Appeal, please submit by July 17
For a December Board of Review Appeal, please submit by
December 11

*Please print the completed form and have your signature notarized. If you do not have access to a Notary Public, staff in the Assessing Department can provide this service for you. Bring or mail the completed application along with all supporting documentation to:

City of Troy
Assessing Department
500 W. Big Beaver
Troy, MI. 48084-5254