



500 West Big Beaver  
 Troy, MI 48084  
 troymi.gov

# CITY COUNCIL AGENDA ITEMS

January 23, 2023



TO: Mark Miller, City Manager

FROM: Robert J. Bruner, Assistant City Manager  
 Robert C. Maleszyk, Chief Financial Officer  
 Kelly M. Timm, City Assessor

SUBJECT: Agenda Item – 2023 Poverty Exemption Guidelines (changes from previous year)

**History:**

MCL 211.7u, which deals with poverty exemptions, was significantly altered by PA 390 of 1994 and was further amended by PA 253 of 2020.

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 \$23,030 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 \$23,030. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2023 assessments:

Size of Family Unit	Poverty Guidelines
1	\$13,590
2	\$18,310
3	\$23,030
4	\$27,750
5	\$32,470
6	\$37,190
7	\$41,910
8	\$46,630
For each additional person	\$4,720



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MCL 211.u (1) states “The principal residence of a person who, in the judgment of the supervisor 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 this act. This section does not apply to the property of a corporation.”

MCL 211.u (4) states “The governing body of the local assessing unit shall determine and make available to the public the policy and guidelines used for the granting of exemptions under this section. If the local assessing unit maintains a website, the local assessing unit shall make the policy and guidelines, and the form described in subsection (2)(b), available to the public on the website. The guidelines must include, but are not limited to, the specific income and asset levels of the claimant and total household income and assets.”

The Board of Review shall approve or deny the request for the poverty exemption. The Board of Review is required to follow the policy and guidelines adopted by the local assessing unit in granting or denying a poverty exemption.

In order to grant a Poverty Exemption, each community must 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)

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

### **Financial Considerations:**

- There were eight (8) exemptions applied for in 2022 at the March Board of Review. Six (6) were granted, totaling \$708,740 in Taxable Value (T/V). This amounts to \$7,014.11 in exempted City taxes.

This year, there were six (6) exemptions granted (of the seven (7) that applied) at the 2022 July Board (\$704,340 T/V), which equaled \$6,970.57 in exempted City taxes.

The December Board of Review had two (2) exemptions granted (of the five (5) that applied). The 2022 Taxable Value was \$166,430, which equaled \$1,647.09 in exempted City taxes.

The total loss of City taxes for Poverty Exemptions in 2022 was \$15,631.77 (compared to \$20,664.47 in 2021).

### **Legal Considerations:**

- The guidelines and asset test are required by the State Tax Commission. The attached guidelines meet the requirements of these rulings.



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### **Policy Considerations:**

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

### **Options:**

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

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## CITY COUNCIL AGENDA ITEMS

### City of Troy – Assessing Department POVERTY EXEMPTION GUIDELINES INCOME STANDARDS 2022

The following are the Poverty thresholds as of 12/31/22 for use in setting Poverty Exemption Guidelines for **2023** assessments:

Number of People Residing in Homestead	Poverty Guidelines
1 Person	\$13,590
2 People	\$18,310
3 People	\$23,030
4 People	\$27,750
5 People	\$32,470
6 People	\$37,190
7 People	\$41,910
8 People	\$46,630
9 People (or more) add \$4,720 for each additional person	



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## CITY COUNCIL AGENDA ITEMS

### CITY OF TROY POVERTY EXEMPTION GUIDELINES – 2023

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 an Application for MCL 211.7u Poverty Exemption. This exemption is good for one year.

**STANDARD #1** Applicants must file a Poverty Exemption Application in order to be considered for any exemption. Per MCL 211.7u(2)(b), federal and state income tax returns for all persons residing in the principal residence, including any property tax credit returns, filed in the immediately preceding year or in the current year must be submitted with the application. Additional documentation such as 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 Poverty Guidelines adopted by the City Council.

**STANDARD #3** Applicants total assets cannot exceed the Asset Limit Test adopted by the City Council.

\*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.