



500 West Big Beaver
Troy, MI 48084
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CITY COUNCIL AGENDA ITEMS

January 8, 2024

TO: Mark Miller, City Manager

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

SUBJECT: Agenda Item – 2024 Poverty Exemption Guidelines (changes from previous year)

History:

MCL 211.7u, provides for a property tax exemption, in whole or part, for the principal residence of persons who, by reason of poverty, are unable to contribute to the public charges.

MCL 211.u requires local units to adopt guidelines that must include the specific income and asset levels of the applicant and the total household income and assets. Local units must adopt guidelines which specify the total household income which will be used to approve or deny poverty exemptions. The adopted income levels shall **not be set lower** than the federal poverty guidelines published in the prior calendar year in the Federal Register by the United States 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 \$24,860 which is the amount shown on the following chart for a family of 3 persons. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2024 assessments:

Size of Family Unit	Poverty Guidelines
1	\$14,580
2	\$19,720
3	\$24,860
4	\$30,000
5	\$35,140
6	\$40,280
7	\$45,420
8	\$50,560
For each additional person	\$5,140



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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. The Board of Review is not permitted to deviate from the adopted policy and guidelines.

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 2023 at the March Board of Review. Seven (7) were granted, totaling \$827,320 in Taxable Value. This amounts to \$8,187.65 in exempted City taxes.
- This year, there were six (6) exemptions granted (of the eight (8) that applied) at the 2023 July Board (\$685,250 Taxable Value), which equaled \$6,781.65 in exempted City taxes.
- The 2023 December Board of Review had two (2) exemptions granted (of the seven (7) that applied). The 2023 Taxable Value was \$220,400, which equaled \$2,181.21 in exempted City taxes.
- The total loss of City taxes for Poverty Exemptions in 2023 was \$17,150.51 (compared to \$15,631.77 in 2022).



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Legal Considerations:

- The federal poverty guidelines and asset test are required by the State Tax Commission. The guidelines and asset test 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 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 2024

The following are the Poverty thresholds as of 12/31/23 for use in setting Poverty Exemption Guidelines for **2024** assessments:

<u>Number of People Residing in Homestead</u>	<u>Poverty Guidelines</u>
1 Person	\$14,580
2 People	\$19,720
3 People	\$24,860
4 People	\$30,000
5 People	\$35,140
6 People	\$40,280
7 People	\$45,420
8 People	\$50,560
9 People (or more) add \$5,140 for each additional person	



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CITY OF TROY POVERTY EXEMPTION GUIDELINES – 2024

MCL 211.7u, provides for a property tax exemption, in whole or part, for the principal residence of persons who, by reason of poverty, are unable to contribute to the public charges.

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 an Application for Poverty Exemption Form 5737 in order to be considered for any exemption. Per MCL 211.7u(2)(b), federal and state income tax returns for the current or immediately preceding year for **all persons residing** in the principal residence, including any property tax credit returns. 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.