CITY COUNCIL ACTION REPORT

December 28, 2011

TO: John Szerlag, City Manager

FROM: Nino Licari, City Assessor

SUBJECT: Agenda Item – 2012 Poverty Exemption Guidelines (changes from previous year)

Background:

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.

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

The total asset limit, which includes the value of the home, is $200,000, the same as 2011, based on the flat residential value we expect to see this year in Troy.

Financial Considerations:

- There were 15 exemptions applied for in 2011 at the March Board of Review. Of these, 5 were granted exemptions totaling $194,390 in Taxable Value (T/V). This amounts to $1,980.83 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 12 exemptions granted at the July Board ($691,330 T/V), and 1 at the December Board ($79,590 T/V). These additional exemptions accounted for exempted Taxable Value of $770,920, and exempted City taxes of $7,855.67.

The total loss of City taxes for Poverty Exemptions in 2011 was $9,836.50.

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

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POVERTY EXEMPTION GUIDELINES
INCOME STANDARDS 2012

The following are the Poverty thresholds as of 12-31-11 for use in setting Poverty Exemption Guidelines for 2012 assessments:

Number of Persons Residing in Homestead	Poverty Threshold
1 person	$10,900
2 persons	14,700
3 persons	18,500
4 persons	22,400
5 persons	26,200
6 persons	30,000
7 persons	33,800
8 persons	$ 37,600

9 persons (or more) add $3,800 for each additional person

CITY OF TROY
POVERTY EXEMPTION GUIDELINES – 2012

> **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 A Poverty Exemption will not be granted if the Assessed Value of the home exceeds $94,800.

STANDARD #4 Applicants total assets cannot exceed $200,000. This includes the value of your home.

*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 2012 A/V Year)

____________________________ _____________________
(Address) (Sidwell #)

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 your 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 13
For a July Board of Review Appeal, please submit by July 16
For a December Board of Review Appeal, please submit by December 10.

Procedural Changes for the 2012 Assessment Year

Bulletin 12 of 2011

October 31, 2011

TO: Assessors/Equalization Directors

FROM: State Tax Commission (STC)

Procedural Changes For The 2012 Assessment Year

The purpose of this Bulletin to provide information on statutory changes or procedural changes for the 2012 assessment year.

A. Inflation Rate Used in the 2012 Capped Value Formula.

The inflation rate, expressed as a multiplier, to be used in the 2012 Capped Value formula is 1.027. The 2012 Capped Value Formula is as follows:

2012 CAPPED VALUE = (2011 TAXABLE VALUE - LOSSES) X 1.027 + ADDITIONS

The preceding formula does not include 1.05 because the inflation rate multiplier of 1.027 is lower than 1.05.

B. Klooster v. City of Charlevoix

On March 10, 2011, the Michigan Supreme Court issued a decision in the case of Klooster v City of Charlevoix which reversed the decision previously made in that case by the Michigan Court of Appeals. The decision will significantly affect the analysis used by Michigan assessors in determining whether a "transfer of ownership" of property has occurred, as that phrase is defined in Michigan Compiled Laws 211.27a(6), in cases involving the creation, modification or termination of joint tenancy ownerships.

A memo detailing the decision and offering several examples was posted by the Commission on June 2, 2011 and that memo is posted on the STC website.

General questions regarding transfers of ownership are addressed in the State Tax Commission's Transfers of Ownership publication, available on the Commission's website under the Publications link. Specific questions regarding the Klooster case and transfers of ownership may be directed to Heather Frick or Tim Schnelle at 517-335-3429

C. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2012.

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 $18,500 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 $18,500. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2012 assessments.

Size of Family Unit	Poverty Guidelines
1	$ 10,900
2	$ 14,700
3	$ 18,500
4	$ 22,400
5	$ 26,200
6	$ 30,000
7	$ 33,800
8	$ 37,600
For each additional person	$3,800

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 7 of 2010 for more information on poverty exemptions.

D. Multipliers for the Valuation of Free-Standing Communication Towers.

The State Tax Commission recommends that, subject to the qualifications stated below, communication towers should be valued for the 2012 assessment year using the table of historical (original cost when the tower was new) cost valuation multipliers set forth in the multiplier table below. These multipliers have been developed in a manner such that they account for the typical depreciation which is expected for a tower of the indicated age and also account for changes in the cost of the tower and erecting it that have occurred since the time the tower was constructed. On this basis, the multiplier table which is shown below is intended to predict the current true cash value of a tower of the vintage year in which the tower was constructed. An important component in determining the current value of a tower built in a given year is the change in the cost of materials, particularly changes in the cost of steel, between the time of construction and the current Tax Day. Since the table considers both depreciation and changes in construction costs, and since changes in construction cost have not always occurred at a constant rate, the multiplier table does not always evidence a decline in the rate by which the historical cost must be adjusted in order to determine current value. This