CITY COUNCIL ACTION REPORT

January 16, 2013

TO: Brian Kischnick, City Manager

FROM: Tom Darling, Director of Financial Services
Nino Licari, City Assessor

SUBJECT: Agenda Item – 2013 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.

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 their approval.

The total asset limit, which includes the value of the home, is $204,800, increased from $200,000 in 2012, based on the estimated 4% average residential value increase we expect to see this year in Troy.

Financial Considerations:

- There were 10 exemptions applied for in 2012 at the March Board of Review. Of these, 8 were granted exemptions totaling $403,760 in Taxable Value (T/V). This amounts to $4,231.41 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 3 exemptions granted at the July Board ($177,210 T/V), and 1 at the December Board ($103,150 T/V). These additional exemptions accounted for exempted Taxable Value of $280,360, and exempted City taxes of $2,938.17.

  The total loss of City taxes for Poverty Exemptions in 2013 was $7,169.58.

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 2013

The following are the Poverty thresholds as of 12/31/12 for use in setting Poverty Exemption Guidelines for 2013 assessments:

Number of Persons Residing in Homestead	Poverty Threshold
1 person	$11,170
2 persons	15,130
3 persons	19,090
4 persons	23,050
5 persons	27,010
6 persons	30,970
7 persons	34,930
8 persons	$ 38,890

9 persons (or more) add $3,960 for each additional person

CITY OF TROY
POVERTY EXEMPTION GUIDELINES – 2013

> **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 $102,073.

STANDARD #4 Applicants total assets cannot exceed $204,800. 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:
Assessor: _____
Board Chairperson _____
Board Member_____
Board Member_____

NOT APPROVED:
Assessor: _____
Board Chairperson_____
Board Member _____
Board Member _____

Year_____ Assessment_____ Board of Review A/V_____

For a March Board of Review Appeal, please submit by March 12
For a July Board of Review Appeal, please submit by July 15
For a December Board of Review Appeal, please submit by December 9.

89 (Rev. 01-11)

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

BULLETIN NO. 11 of 2012
CHANGES FOR 2013
October 30, 2012

TO: Assessors
Equalization Directors

FROM: State Tax Commission (STC)

RE: **PROCEDURAL CHANGES FOR THE 2013 ASSESSMENT YEAR**

The purpose of this Bulletin to provide information on statutory changes or procedural changes for the 2013 assessment year.

A. Inflation Rate Used in the 2013 Capped Value Formula.

The inflation rate, expressed as a multiplier, to be used in the 2013 Capped Value formula is 1.024. The 2013 Capped Value Formula is as follows:

2013 CAPPED VALUE = (2012 TAXABLE VALUE - LOSSES) X 1.024 + ADDITIONS

The preceding formula does not include 1.05 because the inflation rate multiplier of 1.024 is lower than 1.05.

B. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2013.

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 $19,090 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 $19,090. Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2013 assessments.

Size of Family Unit	Poverty Guidelines
1	$ 11,170
2	$ 15,130
3	$ 19,090
4	$ 23,050
5	$ 27,010
6	$ 30,970
7	$ 34,930
8	$ 38,890
For each additional person	$3,960

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 5 of 2012 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. 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 2013 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 effect is expected and can be better understood if one remembers that the multiplier table is not a depreciation table and the multipliers are applied to the historic cost of construction, not to the current replacement cost.