



## CITY COUNCIL ACTION REPORT

December 30, 2008

TO: Phillip L. Nelson, City Manager

FROM: John M. Lamerato, Assistant City Manager-Finance/Administration  
Nino Licari, City Assessor

SUBJECT: Agenda Item – 2009 Poverty Exemption Guidelines

### 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.

You may recall that in 2001, and prior to the STC order to use the Federal Poverty Guidelines, management had increased the income guidelines previously established by the City Assessor. The STC order to use the Federal guidelines, starting in 2002, placed our guidelines approximately \$5,000 higher than the Federal guidelines, in each category.

In 2002, Management then recommended, and Council approved, leaving our guidelines the same, until the Federal guidelines ‘catch up’. We are still averaging more than \$2,000 - \$3,000 higher in each category. Council has not changed the Income guidelines to this point.

The Assessed Value limit has increased each year by the average level of increase of the Residential Class for that year. This year the Residential Class will show an average reduction in value of 8.2%. This will lower the Assessed Value limit from \$112,380 to \$103,165.

The total asset limit, which includes the home (but not an automobile), would decrease from \$273,120 to \$270,978. This calculation includes the reduction in the average Assessed Value, and an increase in the remaining asset level of 4.4% (the established State Consumer Price Index for 2008).

Financial Considerations:

- There were 24 exemptions applied for in 2008 at the March Board of Review. Of these, nineteen (19) were granted exemptions totaling \$1,340,230 in Taxable Value (T/V). This amounts to \$12,437.33 in exempted City taxes (in 2007, 22 exemptions accounted for \$838,240 in T/V and \$7,778.87 in City taxes).

Since 2002, residents have been allowed to apply for Poverty Exemptions at the July and December Boards of Review. Generally a couple would come in July, and none in December.

This year, there were six (6) exemptions granted at the July Board (490,970 T/V), and three (3) at the December Board (290,910 T/V). These nine (9) additional exemptions accounted for exempted Taxable Value of \$1,052,858, and exempted City taxes of \$9,770.52.

The total loss of City taxes for Poverty Exemptions in 2008 was \$22,207.85. This is more than twice as much as the average in previous years.

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

**POVERTY EXEMPTION GUIDELINES  
INCOME STANDARDS 2009**

The following are the Poverty thresholds as of 12-31-08 for use in setting poverty exemption guidelines for 2009 assessments:

Number of Persons Residing in Homestead	Poverty Threshold
1 person	13,959
2 persons	16,531
3 persons	18,470
4 persons	22,761
5 persons	26,419
6 persons	29,636
7 persons	33,347
8 persons	36,704
9 persons (or more) add 3,600 for each additional person	

**CITY OF TROY**  
**POVERTY EXEMPTION GUIDELINES – 2009**

**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, Income Tax Forms, 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 \$103,165.
- STANDARD #4** Applicants total assets cannot exceed \$270,978. 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 2009 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 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) Property Tax Credit Form
- d) W-2 Forms
- e) Copy of Deed or Land Contract
- f) Identification: Driver's License
- g) 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 6**  
**For a July Board of Review Appeal, please submit by July 17**  
**For a December Board of Review Appeal, please submit by**  
**December 4.**

### **C. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2009.**

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. Please see STC Bulletin No. 5 of 1995 and page 3 of STC Bulletin No. 1 of 2003 for more detailed information.

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 \$17,600 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 \$17,600.

Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2009 assessments.

<b>Size of Family Unit</b>	<b>Poverty Guidelines</b>
1	\$ 10,400
2	\$ 14,000
3	\$ 17,600
4	\$ 21,200
5	\$ 24,800
6	\$ 28,400
7	\$ 32,000
8	\$ 35,600
For each additional person, add	\$ 3,600

**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.

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

The State Tax Commission has received a number of inquiries, both from the assessing community and from taxpayers, relating to the proper procedures for assessing freestanding communication towers. Accordingly, the Commission has determined that, in addition to providing the valuation multipliers for use in making 2009 assessments, it is appropriate to re-state a number of directives that have been made in previous Bulletins.