CITY COUNCIL ACTION REPORT

February 9, 2011

TO: John Szerlag, City Manager

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

SUBJECT: Agenda Item – 2011 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.

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 now extremely close to the Federal Guidelines, except in the 1 and 2 person category. Staff recommends adopting the Federal Guidelines, at this time.

The total asset limit, which includes the value of the home, has now been reduced to $200,000 based on the falling average residential value of a home in Troy.

Financial Considerations:

- There were 23 exemptions applied for in 2010 at the March Board of Review. Of these, 18 were granted exemptions totaling $1,226,960 in Taxable Value (T/V). This amounts to $11,533.42 in exempted 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 6 exemptions granted at the July Board ($338,480 T/V), and 3 at the December Board ($197,110 T/V). These additional exemptions accounted for exempted Taxable Value of $535,590, and exempted City taxes of $5,034,54.

  The total loss of City taxes for Poverty Exemptions in 2010 was $16,567.96.

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 2011

The following are the Poverty thresholds as of 12-31-10 for use in setting poverty exemption guidelines for 2011 assessments:

Number of Persons Residing in Homestead	Poverty Threshold
1 person	10,800
2 persons	14,600
3 persons	18,300
4 persons	22,100
5 persons	25,800
6 persons	29,500
7 persons	33,300
8 persons	37,000

9 persons (or more) add 3,700 for each additional person

CITY OF TROY
POVERTY EXEMPTION GUIDELINES – 2011

> **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 2010 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 15
For a July Board of Review Appeal, please submit by July 18
For a December Board of Review Appeal, please submit by December 12.