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TO: Mayor and Council

FROM: Milton Dohoney Jr., City Administrator

CC: John Fournier, Deputy City Administrator  
Gerald Markey, City Assessor  
Marti Praschan, CFO

SUBJECT: November 20, 2023 Council Agenda Response Memo

DATE: November 16, 2023

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**CA-14 – Resolution to Adopt the Board of Review Guidelines for Poverty Exemptions from Property Taxation of Principal Residence Pursuant to MCL 211.7u**

**Question:** 1. Application Assistance: Does the Assessor's office provide assistance in completing the application? Alternatively, are there any local organizations known to help residents with this process? (Councilmember Harrison)

**Response:** As with all inquiries received by the Assessor's Office, staff answers questions and provides assistance as necessary.

Staff is aware of the following organization that offers assistance in the process: The Housing Bureau for Seniors of University of Michigan Health.

**Question:** 2. Income Deductions: For the purpose of qualifying under the poverty level benefits, are other expenses/debt considered when calculating income? If so, does that include student loan and medical debt? (Councilmember Harrison)

**Response:** The State of Michigan guidelines follow the United States Census Bureau definition of "income" and does not consider other expenses/debt.

**Question:** 3. Asset Limit Changes: Why was \$50,000 in assets chosen? What does the city count as assets? (Councilmember Harrison)

**Response:** The asset test of \$50,000 was established by City Council in 2020.

The State of Michigan Treasury issues bulletins in correlation with MCL 211.7u poverty exemption, which indicates any item that can be liquidated and converted to cash for payment of property taxes. While not an exhaustive list it includes cash, stock, bonds, 401K, investments, second homes, boats, additional automobiles, and artwork.

**Question:** 4. Information Accessibility: Is information about the poverty exemption prominently displayed in community areas such as CAN, the senior center, and other key locations? (Councilmember Harrison)

**Response:** Poverty applications, which are published in three languages, are posted on the assessor website, at the senior center, and public libraires. In addition, annually the Assessor change notice includes notification of poverty exemptions, direct mailings are sent to those who have previously qualified, and our communications office sends a public communication.

**Question:** 5. Data Collection for Potential Applicants: What strategies could be developed to collect data on homeowners who may be eligible for the poverty exemption but have not applied? Are there specific outreach or data analysis methods used to identify and engage these residents? (Councilmember Harrison)

**Response:** Staff's recommendation is to reach out to our community partners to identify current available data and to develop a strategy to share information as appropriate.

**Question:** 6. Can you clarify the 3-year period. Is that to grandfather in people from before SB55 or will everyone now only reapply every 3 years? Is it solely for those receiving monetary public assistance? (Councilmember Harrison)

**Response:** Staff anticipates further guidance to be provided by the State of Michigan. Current interpretation of the legislation is as follows:

- The 3-year extension applies to those taxpayers who were initially eligible for exemption from taxation for the first time in tax years 2021, 2022, 2023.
- The extension period of not having to file does not extend beyond tax year 2026.
- The 3-year extension applies to those taxpayers who receive a fixed income solely from public assistance that is not subject to significant annual increases beyond the rate of inflation, such as federal Supplemental Security income, Social Security disability, or retirement benefits.
- Taxpayers that were eligible for exemption prior to 2021 will have to annually file for the poverty exemption.
- SB 55 does not automatically allow all taxpayers to file for poverty every three years.

**Question:** 7. Why isn't the city's poverty level the baseline for the 100% reduction in taxable value and any income above the city's poverty level, the basis for the partial exemptions? (Councilmember Harrison)

**Response:** The State of Michigan statute, Federal Poverty guidelines, and the Washtenaw County established affordable housing limits (as published by HUD) were considered when establishing the City's baseline income for poverty exemptions. By adopting a poverty threshold at 220% of the Federal Poverty Level, the City's poverty level exceeds thresholds for the extremely low income or 30% Area Median Income, established by HUD. In addition, the City of Ann Arbor's income threshold currently meets or exceeds every other jurisdiction in Washtenaw County and most other similar-sized cities in the State of Michigan.