

NEW LAW REGARDING PRINCIPAL RESIDENCE EXEMPTION

Governor Granholm recently signed a bill into law that significantly changes the way the Principal Residence Exemption, also known as the homestead exemption, applies to Michigan property owners. This new law, which was signed by the Governor on April 8, 2008, allows a homeowner to receive the homestead exemption on two pieces of property at the same time for up to three years, provided certain conditions are met. Those conditions are as follows:

1. the second piece of property is not occupied;
2. it is for sale;
3. it is not being leased;
4. it is not being used for any business or commercial purpose.

This law is especially important with the current housing market as sluggish as it is and homes for sale sitting on the market for months at a time. The law allows property owners to receive the homestead exemption on the home where the owner currently lives and the property that the owner is trying to sell if the above conditions are met. Before this law, property owners could only receive the homestead exemption for one piece of property at a time--if the owner moved into a new house while trying to sell the old one, the old one would not receive the exemption and the owner would pay the full property tax.

Unfortunately, this law is not retroactive, meaning that you cannot receive the dual homestead exemptions for past years. It only applies to 2008 and forward. To receive the dual homestead exemptions for 2008, you must submit "Form 4640 Conditional Rescission of Principal Residence Exemption" by May 1, 2008 to your local assessor. Thereafter you must submit the form on or before December 31 each year.

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