



**PONTIAC CITY COUNCIL
STUDY SESSION
February 13, 2018
6:00 p.m.
7th Session of the 10th Council**

It is this Council's mission "To serve the citizens of Pontiac by committing to help provide an enhanced quality of life for its residents, fostering the vision of a family-friendly community that is a great place to live, work and play."

Call to order

Roll Call

Authorization to excuse councilmembers

Amendments to and approve the agenda

Approval of Minutes

1. Minutes of February 6, 2018.

Special Presentation – a.) Annual Audit Report from City Auditors Rehmann Robson for period of June 30, 2017.

b.) City Financial Report "City Council present City Revenue and Expenditure Look-back" by Finance Director Nevrus Nazarko

Public Comment

Review Agenda Items

2. Resolution to approve revised Federal Poverty Guidelines for 2018 and the City of Pontiac Board of Review Instructions for applicants requesting consideration of Hardship Exemption.

Adjournment

February 6, 2018

**Official Proceedings
Pontiac City Council
6th Session of the Tenth Council**

A Formal Meeting of the City Council of Pontiac, Michigan was called to order in City Hall, Tuesday, February 6, 2018 at 6:01 p.m. by President Kermit Williams.

Call to Order at 6:01 p.m.

Invocation – Kone Bowman

Pledge of Allegiance

Roll Call

Members Present: Pietila, Taylor-Burks, Waterman and Williams.

Members Absent: Carter, Miller, and Woodward.

Mayor Waterman was present.

Clerk announced a quorum.

18-37 **Excuse Councilperson Carter, Miller and Woodward for personal reasons.** Moved by Councilperson Waterman and supported by Councilperson Taylor-Burks.

Ayes: Pietila, Taylor-Burks, Waterman and Williams

No: None

Motion Carried.

18-38 **Approval of the Agenda with an Ad-On Resolution for Black History Month.** Moved by Councilperson Waterman and supported by Councilperson Taylor-Burks.

Ayes: Pietila, Taylor-Burks, Waterman and Williams

No: None

Motion Carried.

Council President Williams asked for a motion to remove Item #2 (Closed Session) from the agenda.

18-39 **Suspend the rules to remove Closed Session from the agenda.** Moved by Councilperson Taylor-Burks and supported by Councilperson Waterman.

Ayes: Taylor-Burks, Waterman, Williams and Pietila

No: None

Motion Carried.

Councilperson Gloria Miller arrived at 6:05 p.m.

18-40 **Journal of January 30, 2018.** Moved by Councilperson Taylor-Burks and supported by Councilperson Waterman.

Ayes: Waterman, Williams, Pietila and Taylor-Burks

No: None

February 6, 2018

Abstain: Miller
Motion Carried.

Deputy Mayor Report or Departmental Head Report – Mayor Waterman and John Balint DPW Director

Special Presentation – Phil Hubbard

Recognition of Elected Officials – Melanie Rutherford Pontiac Library Secretary and H. Bill Maxey Pontiac Library Treasurer

18-41 **Resolution for Matthew A. Fowlkes.** Moved by Councilperson Waterman and supported by Councilperson Taylor-Burks.

Whereas, It is the sense of this legislative body to pay proper tribute to individuals of remarkable character and whose lives have been dedicated to uplifting and inspiring the community; and;
Whereas, it is feelings of the deepest regret that the Pontiac City Council mourns the passing of Matthew Aaron Fowlkes, a giving and devoted member of this community; and,
Whereas, Matthew Aaron Fowlkes was born on June 3, 1965 in Pontiac, Michigan, to the union of the late Geraldine Yvonne Hill Fowlkes and James N. Fowlkes and was the eighth of nine children; and,
Whereas, Matthew Aaron Fowlkes was educated in the Pontiac Public School system and attended Franklin and Bethune Elementary, Jefferson and Washington Jr. High Schools, and Pontiac Central High School where he was actively involved in both the marching and concert bands and his gift for playing baritone was showcased; and,
Whereas, Matthew Aaron Fowlkes passion for music was the catalyst that allowed him to, encourage other young people to become involved in band, transcend to Drum Major in 1982 and to become the director's assistant at band camp every summer prior to graduating in 1983; and,
Whereas, Matthew Aaron Fowlkes was accepted at the University of Detroit Mercy and while registering for class, received an unforgettable and life altering offer of employment from the Pontiac Fire Department which without hesitation and with honor, was accepted; and,
Whereas, Matthew Aaron Fowlkes was a trailblazer who dedicated 27 years to the Pontiac Fire Department before retiring in October 2010 and is distinguished through his extraordinary service as a Firefighter, Engineer, Lieutenant and ultimately Captain; and,
Therefore, Be It Resolved, that the members of the Pontiac City Council recognize that Matthew Aaron Fowlkes, one of its own, was truly "one of a kind," and provided exemplary contributions of leadership, selflessness and an unwavering commitment to our community.
Now, Therefore Be It Resolved, that the Members of the Pontiac City Council and members of this great community will greatly miss Matthew Aaron Fowlkes, as his life was a portrait of service, a legacy which will long endure the passage of time and will remain as a comforting memory to all those whose lives he touched; we give our sincerest condolences to the family and friends of Matthew Aaron Fowlkes.

Ayes: Williams, Miller, Pietila, Taylor-Burks and Waterman
No: None
Resolution Passed.

18-42 **Resolution to consider Meter Gateway License Agreement between the City of Pontiac and Water Resource Commission. (WRC)** Moved by Councilperson Pietila and supported by Councilperson Taylor-Burks.

Whereas, the Water Resource Commission (WRC) took over the City of Pontiac's water service infrastructure in 2013; and

Whereas, the Water Resource Commission (WRC) has the responsibility of planning, developing and maintaining designated surface water drainage systems in Oakland County under Michigan State law, known as Drain Code, Act 40 of 1956 (and has other statutory duties as Agent for the county); and

Whereas, the Water Resource Commission (WRC) has approached the City to request permission to install, operate and maintain a Gateway Data Collection (GATEWAY) system and related facilities on the following City-owned sites: Beaudette Park, Cherrylawn Park, Ballboa Park, Jaycee Park and OC Sheriff's Station; and

Whereas, the City will not incur any costs associated with the maintenance, replacement, and/or operation of the Gateway Data Collection (GATEWAY) system.

Now, Therefore, the Mayor and/or authorized representative, is hereby authorized to enter into an individual Gateway Site License Agreement for the following City owned sites: Beaudette Park, Cherrylawn Park, Ballboa Park, Jaycee Park and OC Sheriff's Station; between the City of Pontiac and the Water Resources Commission.

Ayes: Miller, Pietila, Taylor-Burks, Waterman and Williams

No: None

Resolution Passed.

18-43 **Resolution to authorize Mayor or Deputy Mayor to sign the Metro Act Agreement with the Pontiac School District.** Moved by Councilperson Waterman and supported by Councilperson Pietila.

Whereas, The City of Pontiac Department of Public Works has received and reviewed the Metro Act Agreement as supplied by the School District of the City of Pontiac, and;

Whereas, the Department of Public Works reviewed the permit application and finds it acceptable, and;

Now, Therefore, Be It Resolved, that The Pontiac City Council authorized the Mayor or Deputy Mayor to approve the Metro Act agreement with the School District of the City of Pontiac.

Ayes: Miller, Pietila, Taylor-Burks, Waterman and Williams

No: None

Resolution Passed.

18-44 **Resolution for Black History Month.** Moved by Councilperson Waterman and supported by Councilperson Taylor-Burks.

Whereas, The Pontiac City Council recognizes the extensive civil, social and religious contributions made by African-Americans including many residents of the City of Pontiac; and;

Whereas, the first Africans were brought to the Americas involuntarily beginning in the 17th century and these Africans in America and their descendants are now known as African-Americans; and,

Whereas, Black History Month originated in 1926 as "Negro History Week" when Dr. Carter G.

Woodson designated a special period of time in February to recognize the heritage and achievement of Black people of the United States, the week was later expanded in 1976 to a month, when President Gerald Ford designated February as "Black History Month; and

Whereas, despite the unwanted suffering, enslavement, the injustices of lynch mobs, segregation, and denial of basic, fundamental rights of African- Americans, African-Americans from all walks of life have courageously fought for the rights and freedom of all Americans throughout the history of the United States; and

Whereas, the significant contributions of African-Americans is reflective in; the writings of Booker T. Washington, Phyllis Wheatley, James Baldwin, Toni Morrison, Ralph Ellison, Zora Neale Hurston and Alex Haley; the music of Mahalia Jackson, Billie Holiday, John Coltrane, Bessie Smith and Duke

Ellington; the exemplary tenacity of athletes including, Jesse Owens, Jackie Robinson, Aletha Gibson, Wilma Rudolph and Muhammad Ali; the scientific advancements of George Washington Carver, Charles Drew, Benjamin Banneker and Mae Jamison, the vision of leaders such as Fredrick Douglass, Mary McLeod Bethune, Thurgood Marshall, Martin Luther King, Jr. and Shirley Chisolm; and the bravery of those who stood on the front lines in the battle against oppression, such as Sojourner Truth, Fannie Lou Hammer and Rosa Parks; and,

Whereas, though many African-Americans have never achieved the recognition they deserved, they paved the way for future generations to succeed; and,

Whereas, Barack Hussein Obama was elected and reelected the 44th President of the United States, making him the first African-American Chief Executive and overcoming one of the last great racial challenges in politics in this country; and,

Whereas, the Pontiac City Council recognizes the vital importance of affording all residents of this City, especially the youth, the opportunity to study and understand Black History, both nationally and with respect to this City.

Now, Therefore, Be It Resolved, that the Pontiac City Council celebrates the month of February as “Black History Month” and encourages all the residents of the City of Pontiac to learn more about the past in order to better understand the experiences that have shaped the Nation.

Ayes: Miller, Pietila, Taylor-Burks, Waterman and Williams

No: None

Resolution Passed.

There were 13 individuals who addressed the body during public comment, which the Council President asked for point of privilege for the last two speakers.

Honorable Mayor Deirdre Waterman Reported

Attorney Chubb, Councilwoman Doris Taylor-Burks, Councilwoman Mary Pietila, Councilwoman Patrice Waterman, Councilwoman Gloria Miller and President Kermit Williams made closing comments. Acting Clerk Sheila Grandison had no closing comments.

President Kermit Williams adjourned the meeting at 8:43p.m.

SHEILA GRANDISON
ACTING CITY CLERK

City of Pontiac-City Council Presentation

FINANCE DEPARTMENT
NEVRUS P. NAZARKO CPA, MBA
FINANCE DIRECTOR

2018 FEB -9 PM 11:13

City of Pontiac-City Council Presentation

- Local government major sources of revenues and expenditures
- Legal environment on property taxes
- Is there an incompatibility of the revenues vs. expenditures under the current tax law
- Prop Tax, Income Tax & Rev. sharing from State of MI: 2000, 2005, 2017
- Some early warning factors of financial distress
- How to avoid “State takeover”

Major Sources of Revenue for Local Governments

- Property Taxes
- State Shared Revenue (Sales Taxes)
- Income Tax (Some Cities)
- Other fees and charges

Legal Environment on Property Taxes

- Headlee Amendment 1978
- Requires voter approval for any local tax increases or new taxes established after Headlee was approved
- Limited increasing of property tax revenue resulting from increase in property tax assessment.
- Limited revenue collected to the amount the millage originally was to generate (with factor for inflation)

Headlee Amendment-Con't

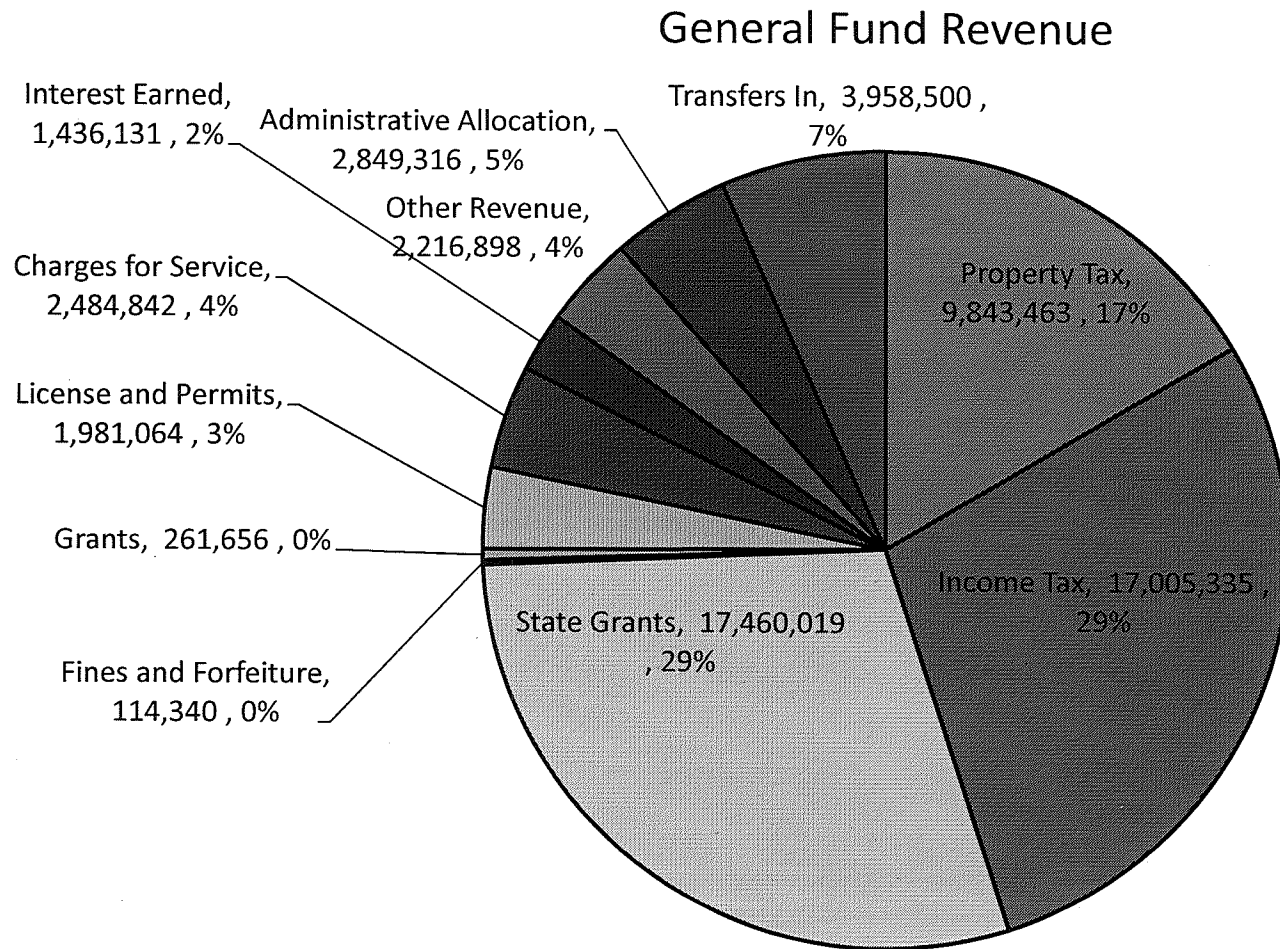
- The millage is the amount per \$1,000 of taxable property value that must be paid. So, if a home has a value of \$100,000, and is assessed a 1 mill tax rate, \$100 in taxes are owed. The formula is $\$100,000 \text{ SEV} \times 1 \text{ mill} \times 0.001 = \100
- The millage revenue limitation means that, for example, if a tax base for a local unit increased from \$1 million to \$1.1 million and the tax rate was one mill, the millage would have to be reduced from 1.0 mills to 0.909 mills, so that total revenue would be the same, \$1,000, as originally generated. This was known as a Headlee rollback.

Proposal A

- Basis: New way of calculating property taxes
- Included two key provisions:
- Growth on taxable value of individual parcels of property is limited to the lesser of inflation or 5 percent, and
- When property was sold/transferred, taxable value is reset to equal state equalized value, which equals half of the property's cash value.

2000 General Fund Revenue

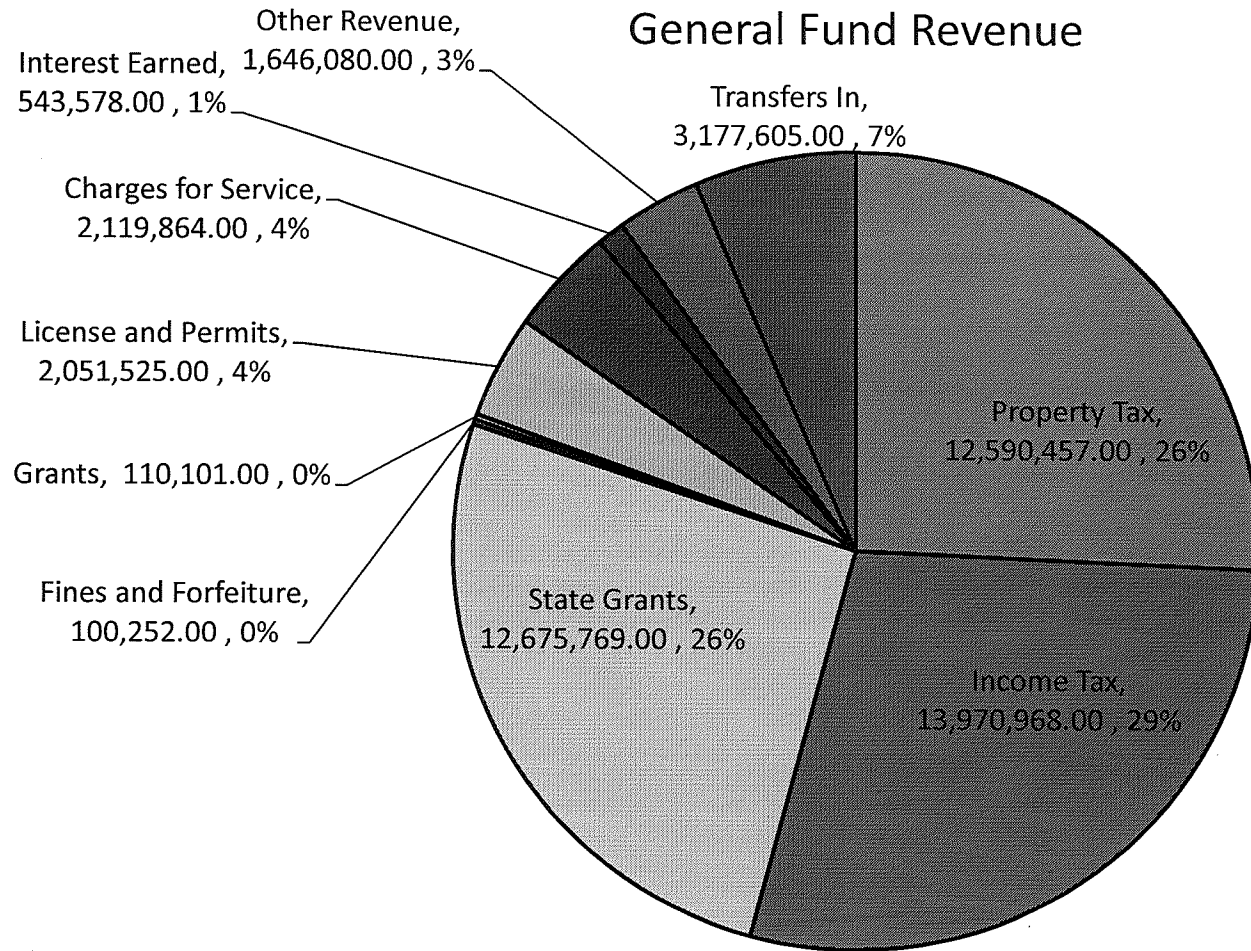
\$59,611,564



Source: City of Pontiac Financial Statements

2005 General Fund Revenue

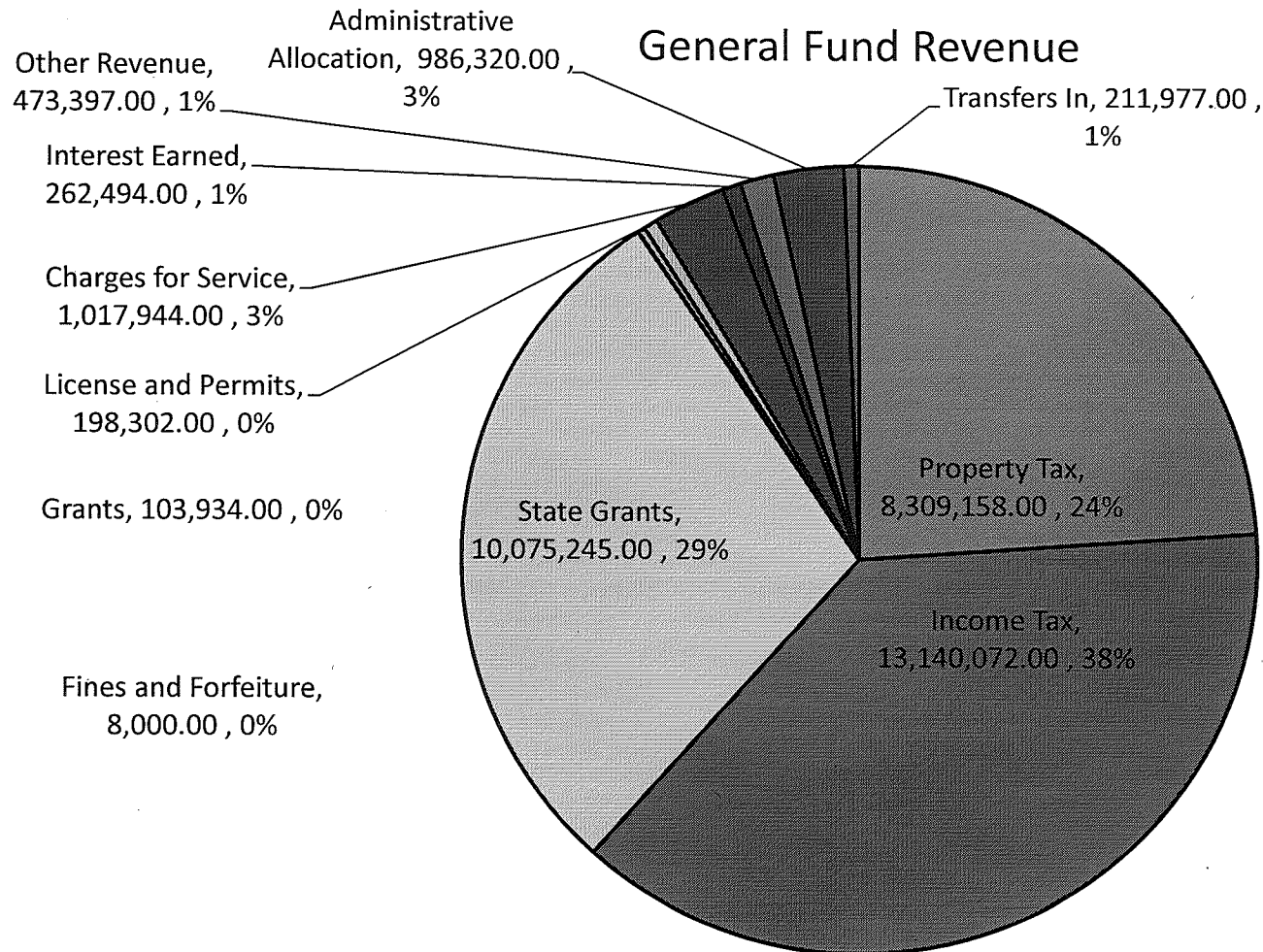
\$48,986,199



Source: City of Pontiac Financial Statements

2017 General Fund Revenue

\$34,786,843

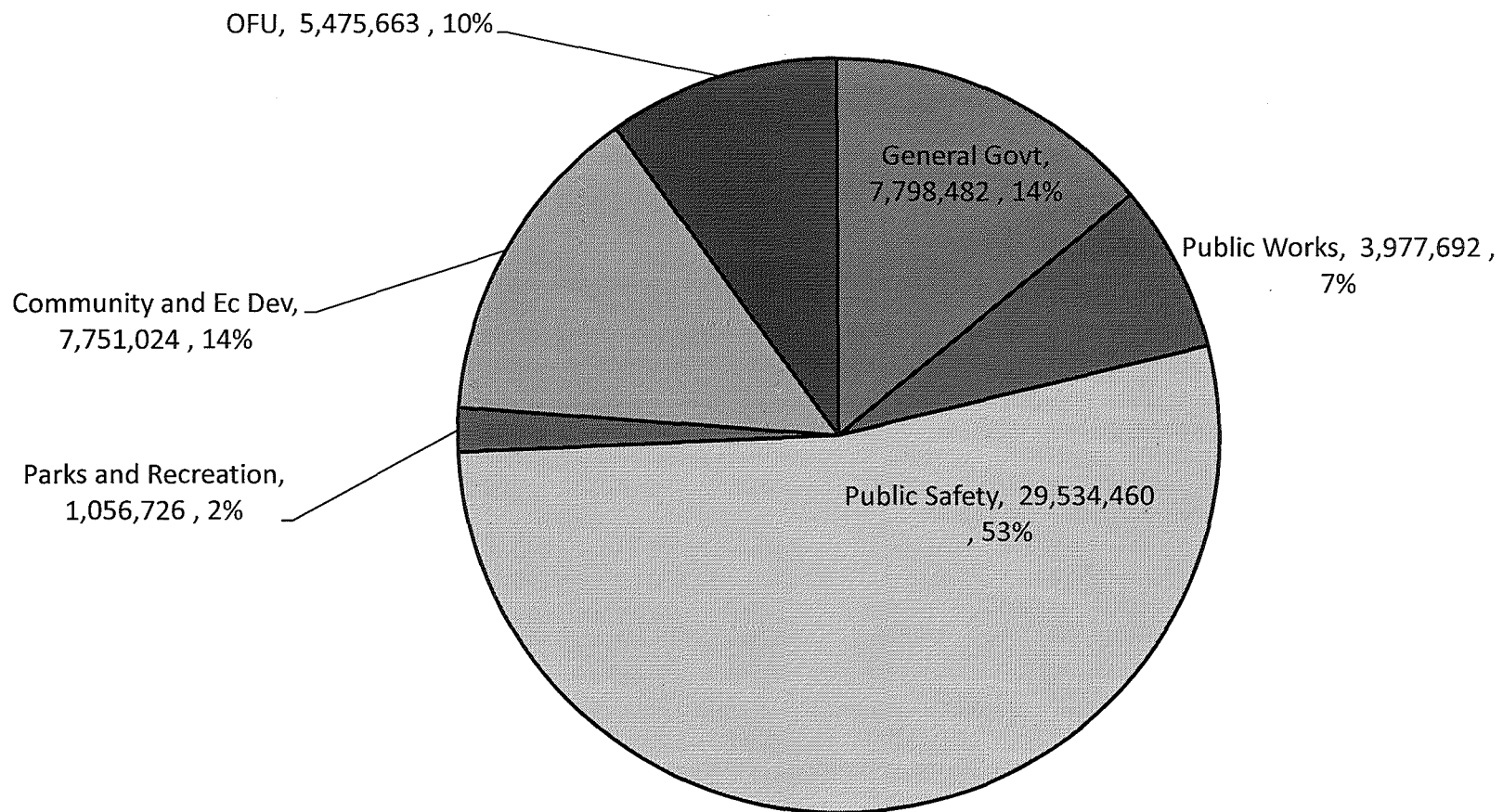


Source: City of Pontiac Financial Statements

2000 General Fund Expenditures

\$55,594,047

General Fund Expenditures

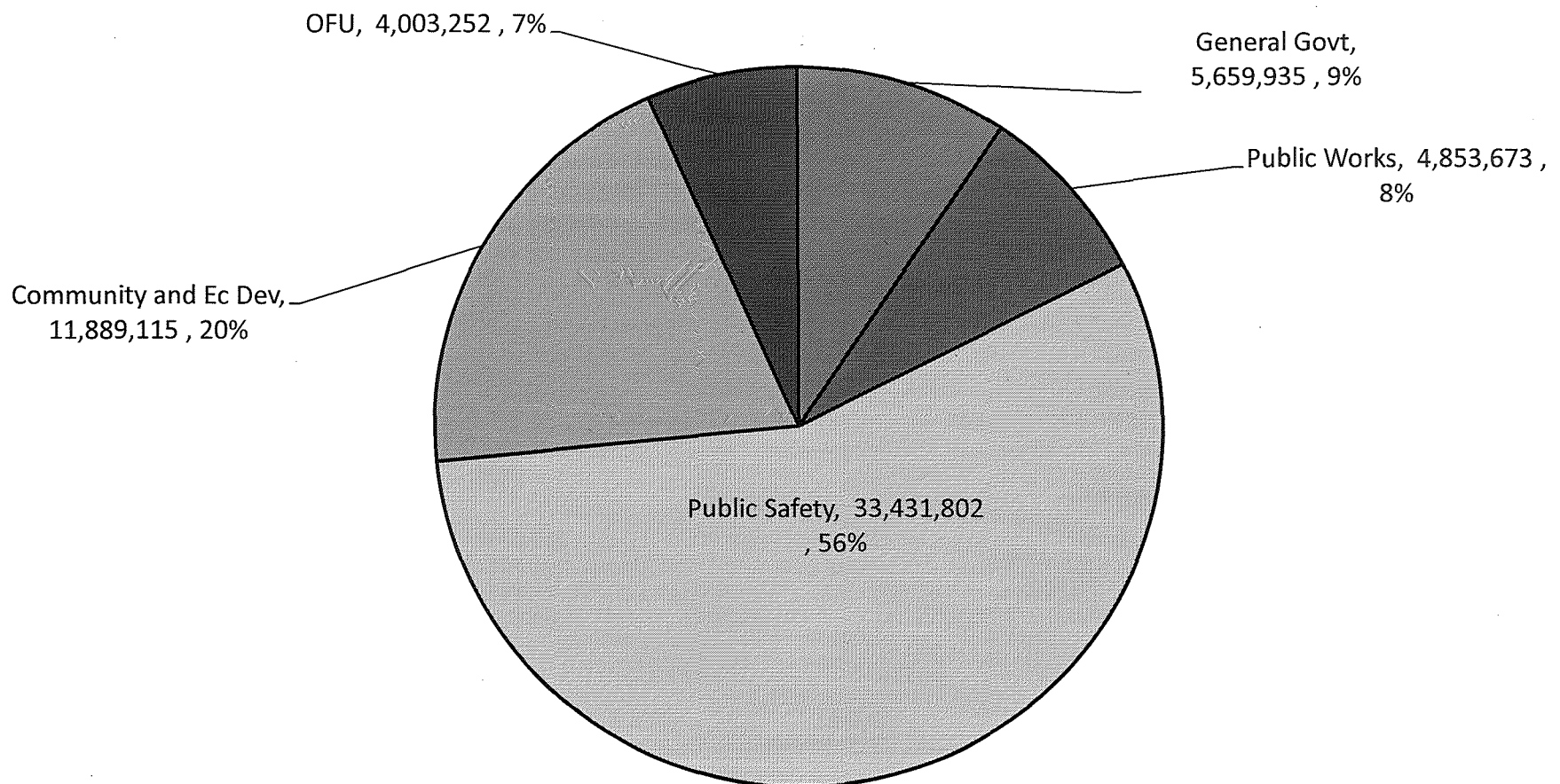


Source: City of Pontiac Financial Statements

2005 General Fund Expenditures

\$59,837,777

General Fund Expenditures

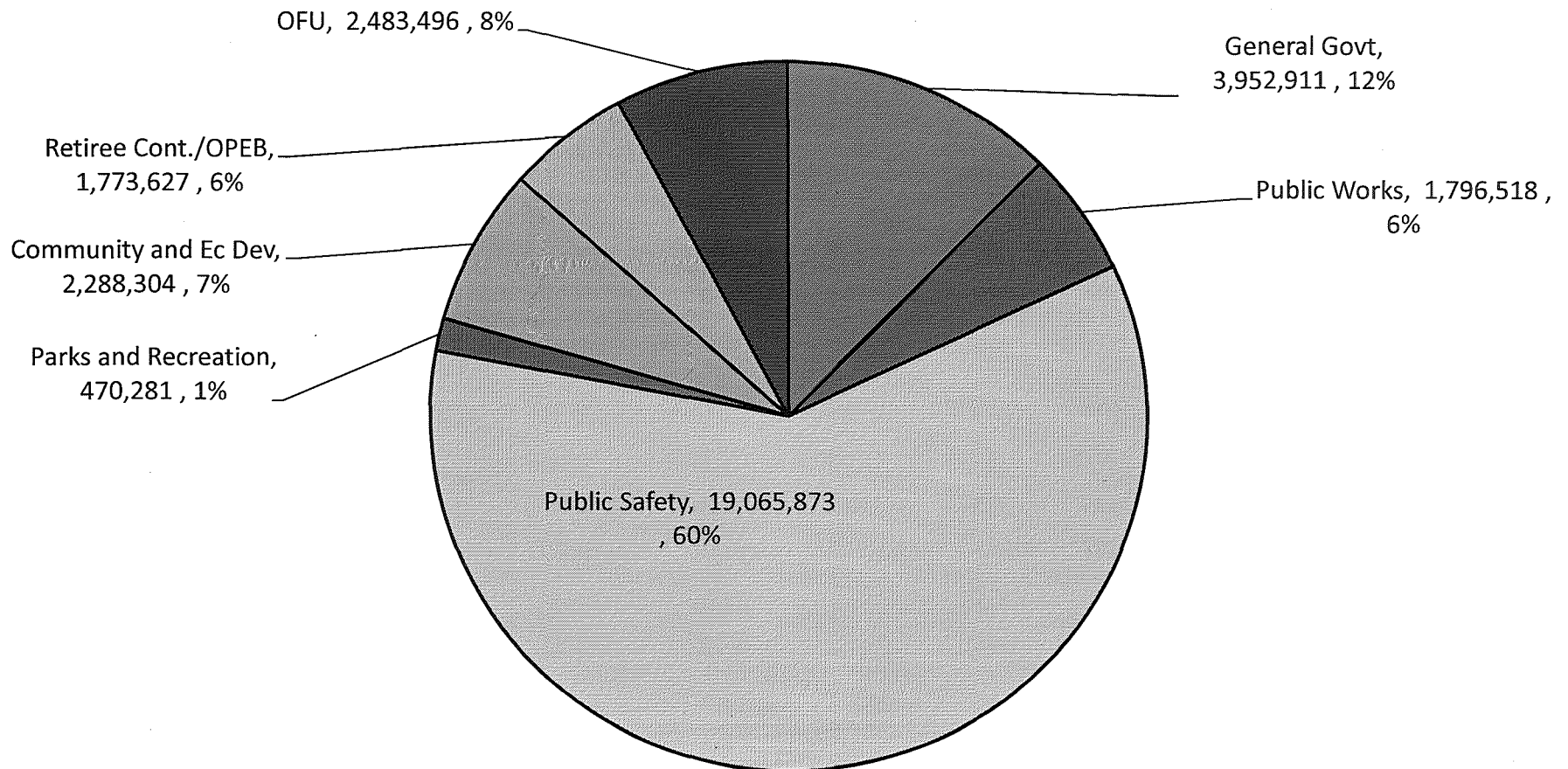


Source: City of Pontiac Financial Statements

2017 General Fund Expenditures

\$31,831,010

General Fund Expenditures

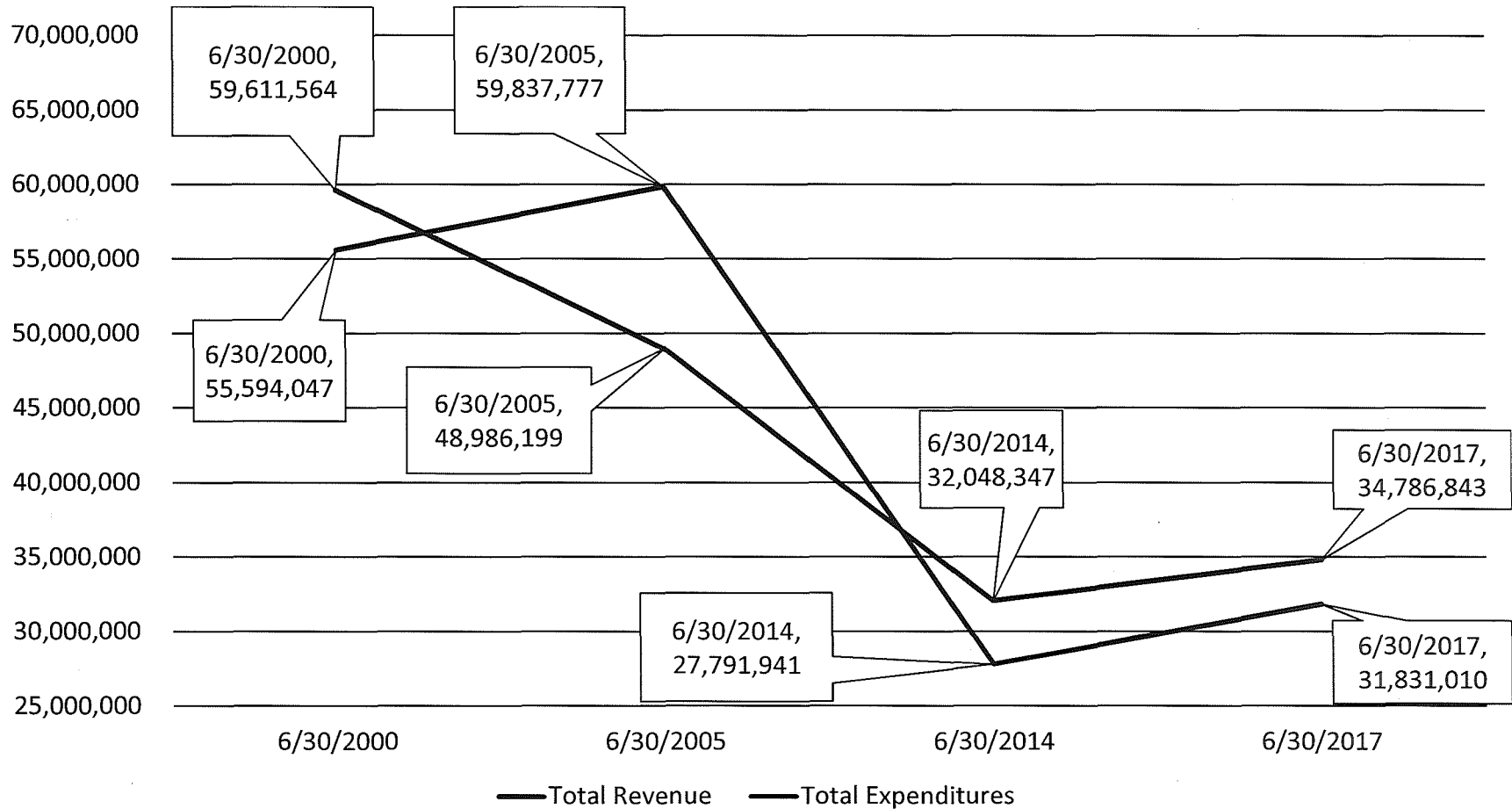


Source: City of Pontiac Financial Statements

Incompatibility of the major sources of Revenues and Expenditures

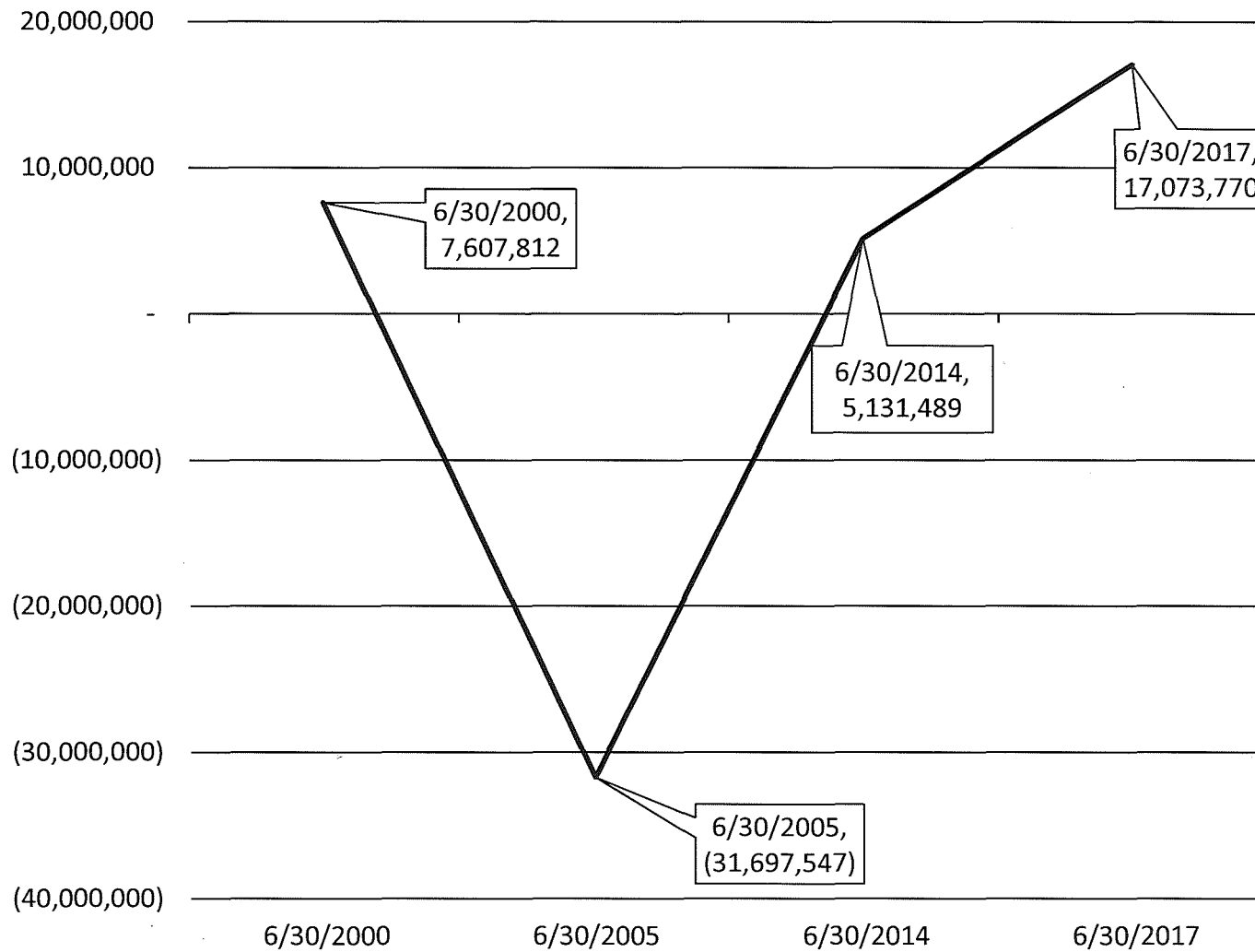
- Headlee amendment of 1978 and Proposal A of 1994 limit the increase in taxable value to not more than inflation rate.
- Cumulative loss in state shared revenue from 2003 to 2014 was (\$40.5) million.
- Income tax revenue in FY 2017 was (23%) lesser than what it was in FY 2000 due to recession.
- Control over legacy cost such as pension cost and retirees' healthcare which are increasing year over year.
- Residents expect same level of service even during the recession such as public safety.
- City needs to continue to invest in infrastructure at the same level to maintain those assets.
- Need for investment in capital improvement is needed to replace the depreciating assets.

Revenues vs. Expenditures 2000, 2005, 2014 and 2017



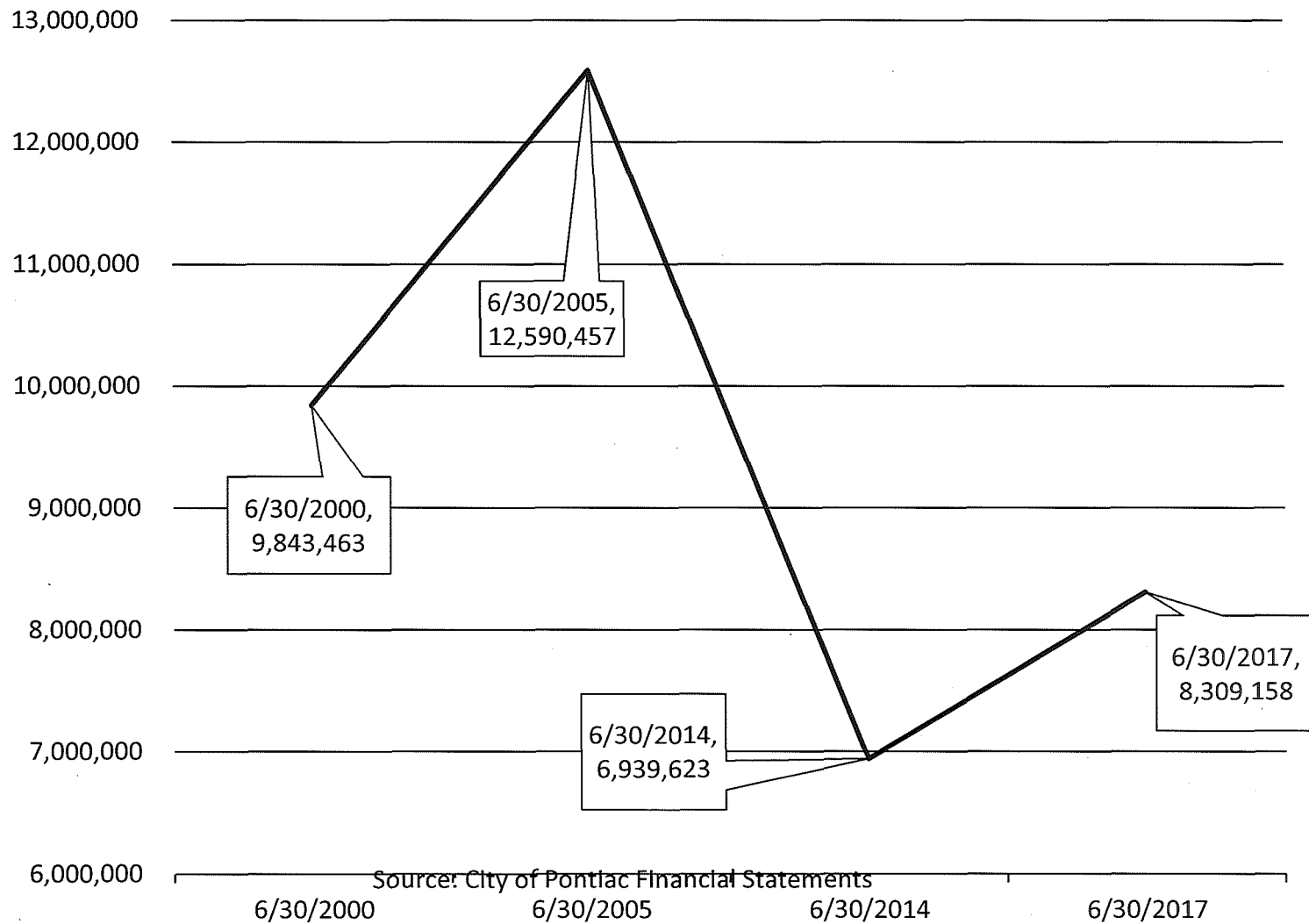
Source: City of Pontiac Financial Statements

Fund Balance Summary

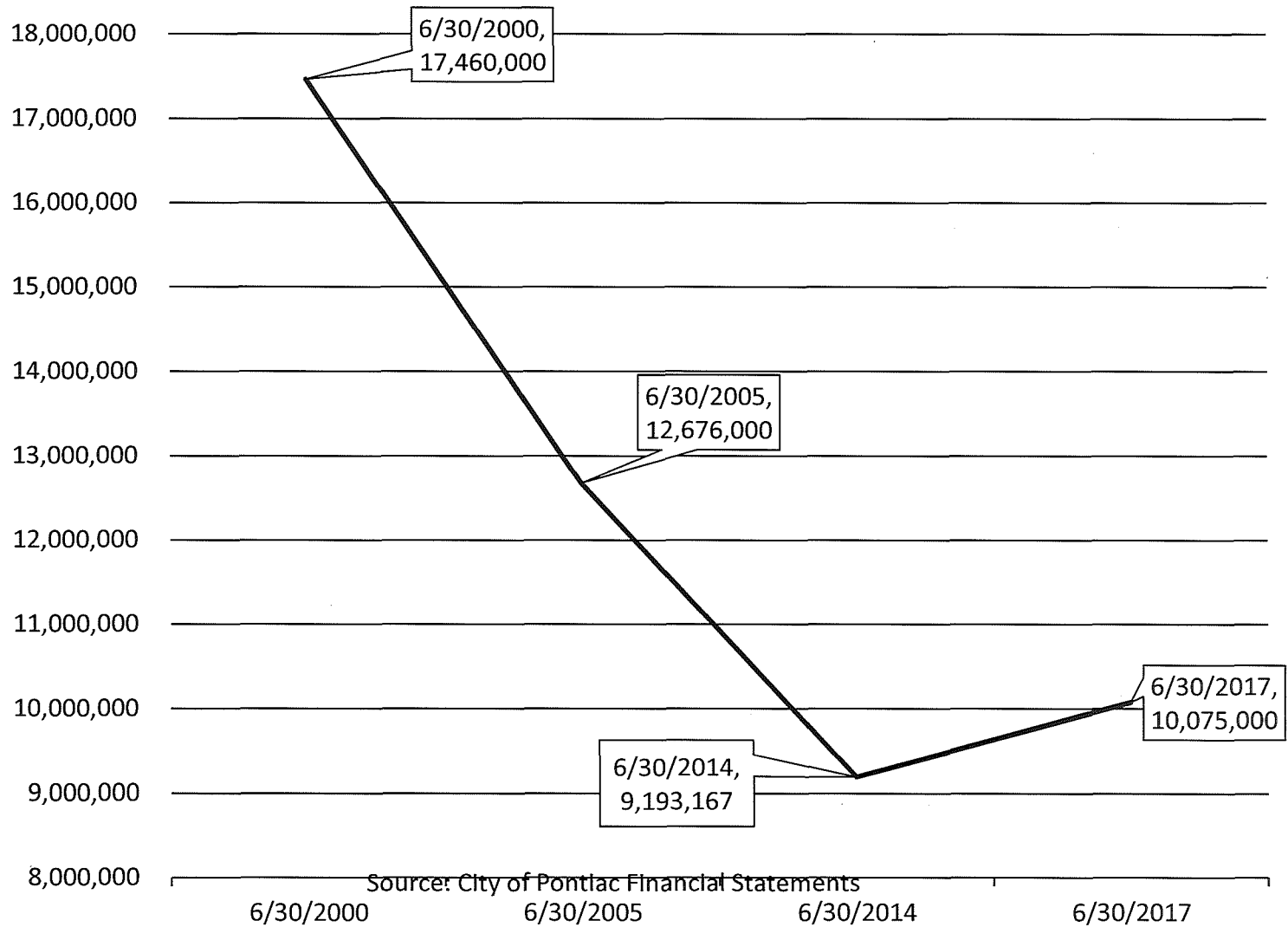


Source: City of Pontiac Financial Statements

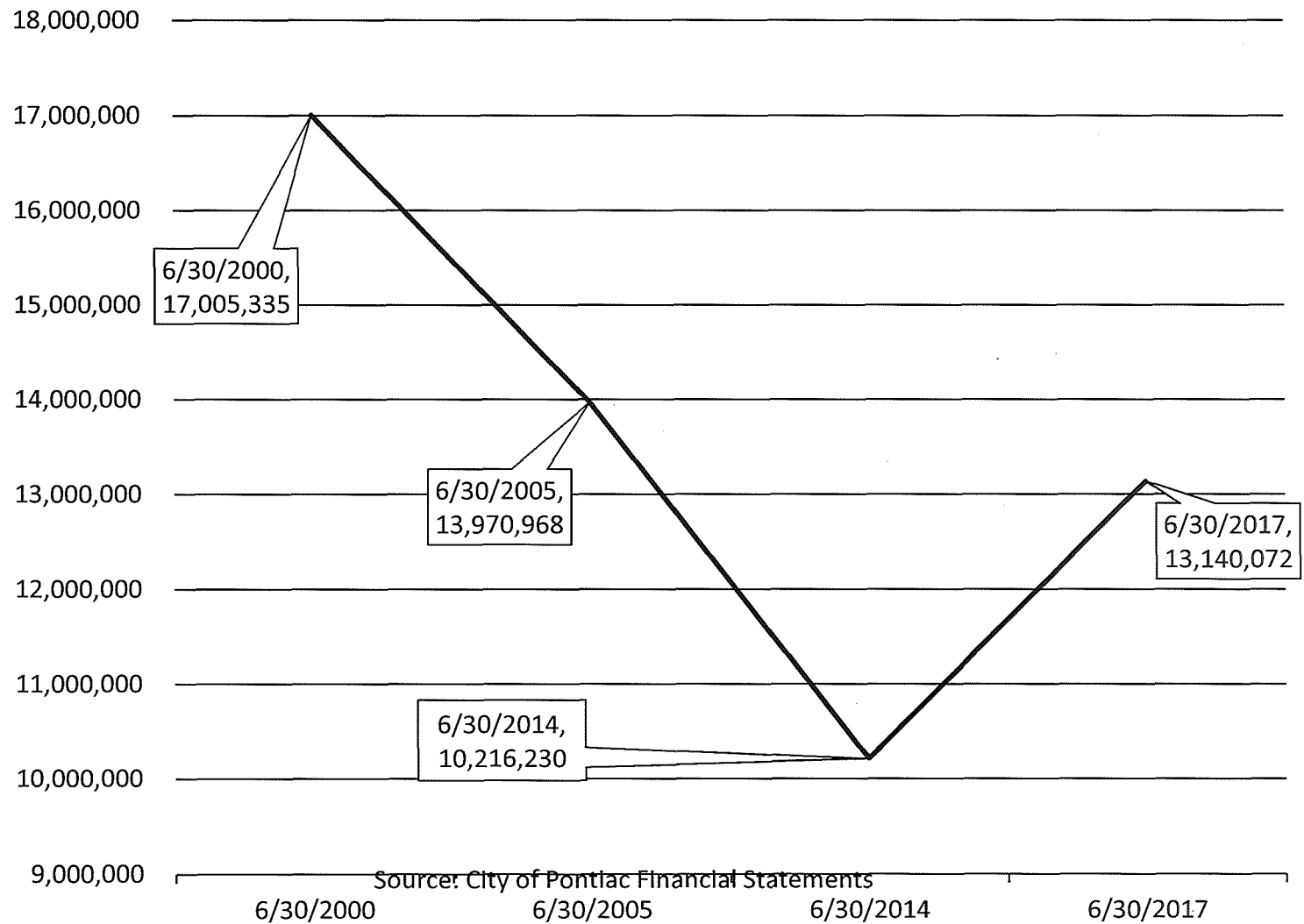
Property Tax Revenue



State Shared Revenue



Income Tax Revenue

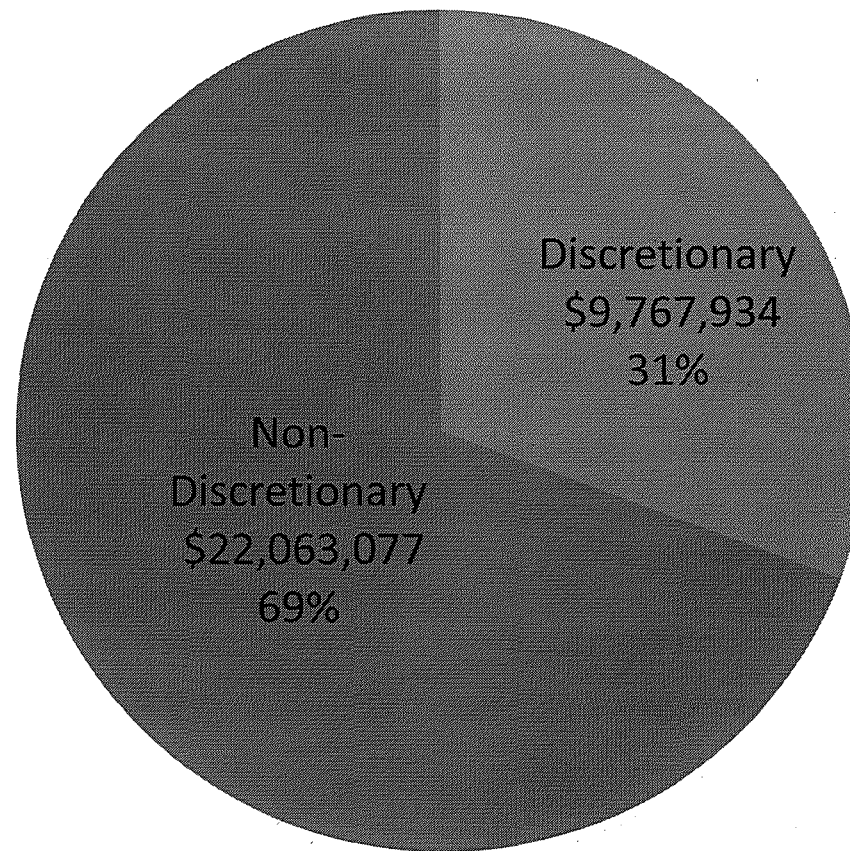


Cumulative Revenue Sharing Loss from the year 2003 and 2014

Local Govt.	State Share Revenue Loss	Local Govt.	State Share Revenue Loss
Allen Park	\$ 8,440,000	Lincoln Park	\$ 17,147,000
Alpena	\$ 4,372,000	Marquette	\$ 6,907,000
Dearborn	\$ 31,320,000	Melvindale	\$ 5,865,000
Detroit	\$ 732,236,000	Pontiac	\$ 40,533,000
Farmington Hills	\$ 20,488,000	Saginaw	\$ 30,329,000
Ferndale	\$ 9,773,000	Southfield	\$ 21,905,000
Flint	\$ 54,868,000	Traverse City	\$ 4,307,000
Grand Rapids	\$ 72,854,000	Warren	\$ 45,962,000
Hamtramck	\$ 13,301,000		

MML- Article from Anthony Minghine

2017 General Fund – Discretionary Expenditures



■ Discretionary ■ Non-Discretionary

Source: City of Pontiac Financial Statements

Some Early Warning Signs of Financial Distress

- Local Govt. fail to make timely required pension contribution.
- Failure to pay wages within 7 days of scheduled due date or benefits owed to the retirees.
- Failure to make bond payment when due.
- Failure to file an annual financial report or failure to complete the statutory audit on time.

Some Early Warning Signs of Financial Distress- Con't

- Local gov't receives long term debt rating below BBB category
- Failure to distribute the tax revenue that it has collected for other taxing jurisdiction
- Local Government has violated the uniform budgeting and accounting act
- Local Gov't has ended the fiscal year in a deficit condition

Avoid State “Takeover”

- Preparation of fiscally sound three year balanced budgets
- Proactivity in matching the revenues and expenditures every budget year (No structural deficits)
- Keeping the costs of benefits in check
- Make each department adhere to the approved budget
- Avoiding the factors that trigger the State review

City of Pontiac-City Council Presentation



Memorandum

2018 FEB -9 PM 11:13

To: Pontiac City Council
From: Jane Bais-DiSessa, Deputy Mayor
Nevrus Nazarko, Finance Director *N.N.*
Date: 2/8/2018
Re: 2018 Hardship Exemption Guidelines

The General Property Tax Act requires the governing body to annually adopt guidelines for the Board of Review to follow when considering applications for hardship exemptions. Homeowners granted hardship exemptions by the Board of Review are not required to pay 100% of the property taxes assessed against their homestead property in 2018. Special assessments and the sanitation fee cannot be waived or reduced. Applicants must meet the standards established by an income level test and an asset level test. The proposed guidelines identify the federal poverty guidelines for the income level test and establish a threshold that varies depending on the family size. For example a family of 4 has a threshold of \$24,300 in 2018 (based on the 2017 Federal Poverty Guidelines). Please see attached guidelines for more information.

At this time, the City Council is requested to adopt the following resolution:

WHEREAS, In accordance with State of Michigan Act No. 390, Public Acts of 1994, approved December 29, 1994, General Property "Section 211. 7u (4). The governing assessing unit shall determine and make public the policy and guidelines the uses for the granting of exemptions the guidelines shall include but not specific income and asset levels of the household income and assets;" and,

WHEREAS, The Pontiac City Council approved said Hardship Exemption Guidelines for 2017; and,

WHEREAS, Said Hardship Guidelines should be amended annually to reflect the new Federal Poverty Guidelines,

NOW, THEREFORE, BE IT RESOLVED That the Pontiac City Council hereby approves the attached revised Federal Poverty guidelines for the 2018 and City of Pontiac Board of Review Instructions for Applicants requesting consideration of Hardship Exemption.



City of Pontiac, Michigan

Department of Finance

Mayor Deirdre Waterman

February 2018

TO: PROPERTY OWNERS APPLYING FOR HARDSHIP EXEMPTION (FINANCIAL)
FROM THE CITY OF PONTIAC BOARD OF REVIEW

The Board of Review for the City of Pontiac has adopted uniform guidelines for determining poverty exemptions. Taxpayers whose income falls below a determined level may apply for a reduced assessment, based on income, assets and family size. The goal of this procedure is to adopt consistent standards for granting tax relief based on hardship. Please note: This application may reduce the taxable value of your property; however, it does not affect the homestead exemption affidavits, which reduces the tax rate. (Property taxes – taxable value x tax rate / 1,000).

Attached is a schedule, which outlines the eligibility guidelines as established by the Pontiac City Council. Please note that the State of Michigan Homestead Property Tax Credit and all pertinent income and expense data shall be used in the determination of eligibility. Attached is the Economic Hardship Exemption application form.

When the application is returned to the Treasurer's Office at City Hall or the Oakland County Equalization Office, 250 Elizabeth Lake Road in Pontiac, you shall also submit completed copies of your Federal and State Income Tax Returns, the General Homestead Property Tax Claim Form, MI-1040 CR-4, and the Senior Citizen Homestead Property Tax Form, MI-1040 CR-1.

It is not necessary for you to appear in person before the Board of Review. The Oakland County Equalization Office will submit your application to the Board for their consideration.

In order to provide time to review this application, it must be returned to the Treasurer's Office at City Hall or the Oakland County Equalization Office **ON OR BEFORE MARCH 1ST, JULY 1ST, OR DECEMBER 1ST, 2018**. Please also note: You may only submit (on one of the days listed above) one application per year.

If you have any questions or need assistance, please contact the Oakland County Equalization Office at (248) 858-0776.

CITY OF PONTIAC
HARDSHIP EXEMPTION GUIDELINES

For Applicants requesting consideration for Property Tax Hardship Exemptions.

- 1) Applicant(s) shall obtain the hardship application form from the City of Pontiac Treasurer's Office or the Oakland County Equalization Department. Handicapped or disabled applicants may call the Assessor's Office to make necessary arrangements for assistance.
- 2) Applicant(s) must own and occupy the property as a homestead
 - a. Must produce a driver's license or other acceptable method of identification and determination of address.
 - b. Must produce a deed, land contract or other evidence of ownership.
- 3) Applicant(s) must complete the application form in its entirety and return to this office. Any application form submitted to the Board of Review which has not been filled out in its entirety shall be denied by the Board of Review. Appeals of said denial shall be made to the Michigan Tax Tribunal.
- 4) Applicant(s) and other personal residing in the homestead must submit copies of current year's (City will make copies if necessary) of the following:
 - a. Federal Income Tax Return – 1040, 1040A or 1040EZ
 - b. Michigan Income Tax Form MI-1040, MI-1040A or MI-1040EZ
 - c. Senior Citizens Homestead Property Tax Form MI-1040CR-1
 - d. General Homestead Property Tax Claim MI-1040CR-4
 - e. ADC Annual Budget letter
 - f. Benefit Statement (pension, retirement or Social Security)
 - g. Social Security Card (any persons 18 years of age or under)
- 5) A hardship exemption shall not be granted to any applicant who has not owned and occupied the homestead for a minimum of three (3) years prior to the date of application.
- 6) A hardship exemption shall not be granted to any applicant who owns salable property other than their own homestead no matter where located.
- 7) A hardship exemption shall not be granted to any applicant whose assets exceed \$100,000. An applicant's homestead shall be excluded from consideration as an asset.
- 8) Applicant(s) shall not be eligible for consideration if they do not meet the Income Limitation Guidelines adopted by the City of Pontiac:

Size of Family Unit	Poverty Guidelines
1	\$11,880
2	\$16,020
3	\$20,160
4	\$24,300
5	\$28,440
6	\$32,580
7	\$36,730
8	\$40,890
For each additional person, add	\$4,160

NOTE: IF YOU EXPECT UNUSUAL PERSONAL OR FAMILY EXPENSES WHICH WILL AFFECT YOUR INCOME, THE BOARD OF REVIEW MAY CONSIDER ADJUSTMENTS TO YOUR INCOME LEVEL.

- 9) The MAXIMUM allowed reduction for hardship exemption shall be 50% of the net property taxes due after the State Homestead Credit applied based on Taxable Value of the homestead for the tax year.
- 10) All hardship exemptions shall be granted for the current tax year only.
- 11) Applications may be reviewed and acted upon by the Board of Review without applicant(s) being present. However, the Board may request that any or all applicants be physically present to respond to any questions the Board of Review or Assessor may have. This means that an applicant may be called to appear on short notice.
- 12) Applicant(s) should be prepared to answer questions regarding their financial affairs, health, the status of people living in their home, etc.
- 13) Pursuant to state law, applicant(s) may apply for Hardship Exemption to only one (1) session of the Board of Review (March, July **OR** December) and any appeal of the Board's decision shall be made to the Michigan Tax Tribunal.
- 14) The Board of Review shall have the authority to grant an exemption to applicant(s) who do not meet the residency requirement of the exemption guidelines of the City of Pontiac if they are paraplegic, quadriplegic, hemiplegics, or totally and permanently disabled **AND** have owned and occupied the property in the City of Pontiac prior to becoming handicapped or permanently disabled.

CITY OF PONTIAC
47450 WOODWARD
PONTIAC, MI 48342

REQUIRED DOCUMENTS

Hardship Exemption applicants shall submit **COPIES** of the documents listed below in order to be considered for eligibility. Please attach these **COPIES** to your application.

1. WARRANTY DEED
or LAND CONTRACT
or QUIT CLAIM DEED
2. HOMEOWNER'S INSURANCE POLICY
3. CURRENT FEDERAL INCOME TAX
4. CURRENT MICHIGAN INCOME TAX
5. GENERAL HOMESTEAD PROPERTY TAX MI-1040 CR *or* SENIOR CITIZEN
HOMESTEAD PROPERTY TAX
6. **INCOME OF ALL PERSONS LIVING IN THE HOME:**
ADC BUDGET LETTER
PENSION BENEFITS
SOCIAL SECURITY STATEMENT
ALIMONY, CHILD SUPPORT
FIP, DHS, DISABILITY, & WORKERS' COMPENSATION
OTHER INCOME
W-2 (WAGES UNDER \$5,000)
7. EMPLOYER'S NAME, ADDRESS
8. DRIVER'S LICENSE
9. SOCIAL SECURITY CARD (all persons living in the home).



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

NICK A. KHOURI
STATE TREASURER

**Bulletin 6 of 2017
June 6, 2017
Poverty Exemption**

TO: Assessors and Equalization Directors

FROM: State Tax Commission

SUBJECT: Exemption of Principal Residence by Reason of Poverty

Bulletin 5 of 1995, Bulletin 7 of 2010 and Bulletin 5 of 2012 are rescinded.

MCL 211.7u provides for a property tax exemption, in whole or part, for the principal residence of persons who, by reason of poverty, are unable to contribute to the public charges. Principal residence is defined in MCL 211.7dd as a principal residence or qualified agricultural property. MCL 211.7u(1) states that this section does not apply to property of a corporation. Even if a corporation or a limited liability company meets the definition of a principal residence or a qualified agricultural property, it is not be eligible to receive a poverty exemption.

Local Unit Responsibilities:

MCL 211.7u requires local units to annually adopt a policy, including an asset test, used to approve or deny poverty exemptions.

First, local units must annually adopt guidelines which specify the total household income which will be used to approve or deny poverty exemptions. Statute requires that the income levels shall not be set lower than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services and published by the State Tax Commission in their annual Procedural Changes Bulletin.

According to the U.S Census Bureau, "income" includes, but is not limited to:

- Money, wages, salaries before deductions, regular contributions from persons not living in the residence
- Net receipts from non-farm or farm self-employment (receipts from a person's own business, professional enterprise, or partnership, after business expense deductions)
- Regular payments from social security, railroad retirement, unemployment, worker's compensation, veteran's payments, public assistance, supplemental security income (SSI)
- Alimony, child support, military family allotments
- Private and governmental retirement and disability pensions, regular insurance, annuity payments

- College or university scholarships, grants, fellowships, assistantships
- Dividends, interest, and net income from rentals, royalties, estates, trusts, gambling or lottery winnings

Second, the local unit policy must include an asset test. The purpose of an asset test is to determine the resources available: cash, fixed assets or other property that could be converted to cash and used to pay property taxes in the year the poverty exemption is filed. The local unit should require that claimants provide a list of all assets when applying for a poverty exemption. Following is a list of assets that may be included in the annual guidelines.

- A second home, land, vehicles
- Recreational vehicles such as campers, motor-homes, boats and ATV's
- Buildings other than the residence
- Jewelry, antiques, artworks
- Equipment, other personal property of value
- Bank accounts (over a specified amount), stocks
- Money received from the sale of property, such as, stocks, bonds, a house or car (unless a person is in the specific business of selling such property)
- Withdrawals of bank deposits and borrowed money
- Gifts, loans, lump-sum inheritances and one-time insurance payments
- Food or housing received in lieu of wages and the value of food and fuel produced and consumed on farms
- Federal non-cash benefits programs such as Medicare, Medicaid, food stamps and school lunches

The Michigan Tax Tribunal in *Robert Taylor v Sherman Twp.*, Docket No. 236230 ruled that the asset test does not include the value of the principal residence. Additionally, the Michigan Court of Appeals in *Ferrero v Township of Walton*, No. 302221, ruled that the homestead property tax credit is not to be considered income for poverty exemption purposes.

The local unit policy may provide for an applicant to own possessions in addition to the principal residence and still receive a poverty exemption. Examples may include, but are not limited to:

- Additional vehicles
- More land than a minimum "footprint" for the home
- Equipment or other personal property of value, including recreational vehicles (campers, motor homes, boats, ATV's etc.)
- Bank account(s) (a maximum amount should be specified)

Third, MCL 211.7u(1) allows for partial poverty exemptions to be granted. A partial poverty exemption is an exemption of a percentage of the taxable value of the principal residence rather than the entire taxable value. The local unit can limit poverty exemptions to partial exemptions or to minimum or maximum exemption of their choosing. The State Tax Commission recommends that local governing bodies include within their annual guidelines, language and criteria for granting partial exemptions and/or minimum or maximum exemptions.

Finally, the State Tax Commission recommends that local units develop an application to be used by claimants and a written policy that details the process. To assist local governing bodies, the State Tax Commission has developed a sample application and resolution. See attached.

Taxpayer Filing Requirements:

In order to receive a poverty exemption, a taxpayer must annually file a completed application form and all required additional documentation, with the supervisor, assessor, or the Board of Review where the property is located. The application form may be obtained from the local unit where the property is located and may be submitted on or after January 1 but before the day prior to the last day of the December Board of Review during the year in which the exemption is requested.

To ensure an application is received in time to be heard by a Board of Review, the State Tax Commission recommends the claimant contact the local governing unit directly to verify deadline dates for submission of an application.

In addition to annually filing the application, in order to be eligible for the poverty exemption, a taxpayer must do all of the following:

1. Own and occupy the principal residence.
2. Provide federal and state income tax returns for the current or immediately preceding year, including any property tax credits, for all persons **residing in the principal residence** (disclosure of the income of an owner who is not residing in the principal residence is not required). An alternative affidavit may be filed for all persons residing in the residence who were not required to file federal or state income tax returns in the current or immediately preceding year. (See Form 4988, *Poverty Exemption Affidavit*)
3. Produce a valid driver's license, or other form of identification, if requested by the supervisor, assessor or Board of Review.
4. Produce a deed, land contract, or other evidence of ownership of the property, if requested by the supervisor, assessor or Board of Review.
5. Meet the federal poverty income guidelines determined annually by the U.S. Department of Health and Human Services OR meet allowable alternative income guidelines adopted by the local governing body.
6. Meet the asset level test adopted by the local governing body.
7. Meet additional tests reasonably adopted by the local governing body.

Board of Review Responsibilities:

MCL 211.7u(1) indicates: The principal residence of persons who, in the judgment of the supervisor and board of review, by reason of poverty, are unable to contribute to the public charges is eligible for exemption in whole or part from taxation under this act.

The State Tax Commission has determined that the supervisor shall make a recommendation regarding the claimant's petition and the Board of Review shall consider, review and then approve or deny the exemption request.

Additionally, MCL 211.7u(5) states, in part: The Board of Review shall follow the policy and guidelines of the local assessing unit in granting or denying an exemption under this section.

When reviewing an application, the Board of Review should consider all information available to them at that time. They should consider all documentation originally submitted by the taxpayer and any additional relevant information that is available to the Board of Review.

The Board of Review can deviate from the adopted policy and guidelines of the local unit only when there are "substantial and compelling reasons why there should be a deviation from the policy and guidelines." If the Board of Review deviates from the adopted policy and guidelines, they are required by statute to communicate the substantial and compelling reasons for the deviation from the guidelines in writing to the taxpayer.

Appeal Rights:

A property owner or assessor may appeal a decision of the March Board of Review by completing and submitting a petition to the Michigan Tax Tribunal no later than July 31 of the same year. A property owner or assessor may appeal a decision of the July or December Board of Review by completing and submitting a petition to the Michigan Tax Tribunal within 35 days of the July or December Board of Review's denial of the poverty exemption.

An application for poverty exemption, for a specific principal residence, may only be acted upon by the Board of Review once a year. If an application is denied at the March Board of Review, it may not be reheard by the July or December Board of Review during the same calendar year. The taxpayer must file an appeal of the March Board of Review determination to the Michigan Tax Tribunal. Similarly, if an application is denied at the July Board of Review, the December Board cannot rehear that application, the taxpayer must file an appeal to the Michigan Tax Tribunal.

A person who files a claim for poverty exemption is not prohibited from also appealing the assessment on the same property in the same year.

SAMPLE GUIDELINE RESOLUTION FOR POVERTY EXEMPTION

WHEREAS, the adoption of guidelines for poverty exemptions is required of the City Council (Township Board); and

WHEREAS, the principal residence of persons, who the Supervisor/Assessor and Board of Review determines by reason of poverty to be unable to contribute to the public charge, is eligible for exemption in whole or in part from taxation under Public Act 390 of 1994 (MCL 211.7u); and

WHEREAS, pursuant to PA 390 of 1994, the City/Township of _____, _____ County adopts the following guidelines for the Board of Review to implement. The guidelines shall include but not be limited to the specific income and asset levels of the claimant and all persons residing in the household, including any property tax credit returns, filed in the current or immediately preceding year;

To be eligible, a person shall do all the following on an annual basis:

- 1) Be an owner of and occupy as a principal residence the property for which an exemption is requested.
- 2) File a claim with the supervisor/assessor or Board of Review, accompanied by federal and state income tax returns for all persons residing in the principal residence, including any property tax credit returns filed in the immediately preceding year or in the current year or a signed State Tax Commission Form 4988, *Poverty Exemption Affidavit*.
- 3) File a claim reporting that the combined assets of all persons do not exceed the current guidelines. Assets include but are not limited to, real estate other than the principal residence, personal property, motor vehicles, recreational vehicles and equipment, certificates of deposit, savings accounts, checking accounts, stocks, bonds, life insurance, retirement funds, etc.
- 4) Produce a valid driver's license or other form of identification if requested.
- 5) Produce, if requested, a deed, land contract, or other evidence of ownership of the property for which an exemption is requested.
- 6) Meet the federal poverty income guidelines as defined and determined annually by the United States Department of Health and Human Services or alternative guidelines adopted by the governing body providing the alternative guidelines do not provide eligibility requirements less than the federal guidelines.
- 7) The application for an exemption shall be filed after January 1, but one day prior to the last day of the December Board of Review. The filing of this claim constitutes an appearance before the Board of Review for the purpose of preserving the right of appeal to the Michigan Tax Tribunal.

The following are the (insert year) federal poverty income guidelines which are updated annually by the United States Department of Health and Human Services. The annual allowable income includes income for all persons residing in the principal residence.

Federal Poverty Guidelines Used in the Determination of Poverty Exemptions

Size of Family Unit	2017 Poverty Guidelines
1	\$ 11,880
2	\$ 16,020
3	\$ 20,160
4	\$ 24,300
5	\$ 28,440
6	\$ 32,580
7	\$ 36,730
8	\$ 40,890
For each additional person	\$ 4,160

NOW, THEREFORE, BE IT HEREBY RESOLVED that the supervisor/assessor and Board of Review shall follow the above stated policy and federal guidelines in granting or denying an exemption, unless the Board of Review determines there are substantial and compelling reasons why there should be a deviation from the policy and federal guidelines and these reasons are communicated in writing to the claimant.

The foregoing resolution offered by City Council Member/Township Board Member _____ and supported by City Council Member/Township Board Member _____.

Upon roll call vote, the following voted:

“Aye”: _____

“Nay”: _____

The City/Township Clerk declared the resolution _____.

XXX, Clerk

Date

SAMPLE POVERTY EXEMPTION APPLICATION

I, _____, Petitioner, being the owner and residing at the property that is listed below as my principal residence, apply for property tax relief under MCL 211.7u of the General Property Tax Act, Public Act 206 of 1893. The principal residence of persons who, by reason of poverty are unable to contribute toward the public charges is eligible for exemption in whole or in part from taxation per MCL 211.7u(1).

In order to be considered complete, this application must: 1) be completed in its entirety, 2) include information regarding all members residing within the household, and 3) include all required documentation as listed within the application. Please write legibly and attach additional pages as necessary.

PERSONAL INFORMATION: Petitioner must list all required personal information.

Property Address of Principal Residence:	Daytime Phone Number:	
Age of Petitioner:	Marital Status:	Age of Spouse:
Number of Legal Dependents:	Age of Dependents:	
Applied for Homestead Property Tax Credit (yes or no):	Amount of Homestead Property Tax Credit:	

REAL ESTATE INFORMATION: List the real estate information related to your principal residence. Be prepared to provide a deed, land contract or other evidence of ownership of the property at the Board of Review meeting.

Property Parcel Code Number:	Name of Mortgage Company:	
Unpaid Balance Owed on Principal Residence:	Monthly Payment:	Length of Time at This Residence:
Property Description:		

ADDITIONAL PROPERTY INFORMATION: List information related to any other property you, or any member residing in the household owns.

Do you own, or are buying, other property (yes or no)? If yes, complete the information below.		Amount of Income Earned from Other Property:	
Property Address	Name of Owner(s)	Assessed Value	Amount & Date of Last Taxes Paid
		\$	
		\$	

EMPLOYMENT INFORMATION: List your current employment information.

Name of Employer:	Name of Contact Person:
Address of Employer:	Employer Phone Number:

List all income sources, including but not limited to: salaries, Social Security, rents, pensions, IRA's (individual retirement accounts), unemployment compensation, disability, government pensions, worker's compensation, dividends, claims and judgments from lawsuits, alimony, child support, friend or family contribution, reverse mortgage, or any other source of income, for all persons residing at the property.

Source of Income	Monthly or Annual Income (indicate which)

CHECKING, SAVINGS AND INVESTMENT INFORMATION: List any and all savings owned by all household members, including but not limited to: checking accounts, savings accounts, postal savings, credit union shares, certificates of deposit, cash, stocks, bonds, or similar investments, for all persons residing at the property.

Name of Financial Institution or Investments	Amount on Deposit	Current Interest Rate	Name on Account	Value of Investment

LIFE INSURANCE: List all policies held by all household members.

Name of Insured	Amount of Policy	Monthly Payment	Policy Paid in Full	Name of Beneficiary	Relationship to Insured

MOTOR VEHICLE INFORMATION: All motor vehicles (including motorcycles, motor homes, camper trailers, etc.) held or owned by any person residing within the household must be listed.

Make	Year	Monthly Payment	Balance Owed

LIST ALL PERSONS LIVING IN HOUSEHOLD: All persons residing in the residence must be listed.

First & Last Name	Age	Relationship to Applicant	Place of Employment	Amount of Monetary Contribution to Family Income

PERSONAL DEBT: All personal debt for all household members must be listed.

Creditor	Purpose of Debt	Date of Debt	Original Balance	Monthly Payment	Balance Owed

MONTHLY EXPENSE INFORMATION: The amount of monthly expenses related to the principal residence for each category must be listed. Indicate N/A as necessary.

Heating:	Electric:	Water:
Phone:	Cable:	Food:
Clothing:	Health Insurance:	Garbage:
Daycare:	Car Expense (gas, repair, etc):	Other (list type):
Other (list type):	Other (list type):	Other (list type):
Other (list type):	Other (list type):	Other (list type):
Other (list type):	Other (list type):	Other (list type):

Notice: Any willful misstatements or misrepresentations made on this form may constitute perjury, which, under the law, is a felony punishable by fine or imprisonment.

Notice: Per MCL 211.7u(2b), a copy of all household members federal income tax returns, state income tax returns (MI-1040) and Homestead Property Tax Credit claims (MI-1040CR 1, 2, 3 or 4) must be attached as proof of income or a signed Form 4988, *Poverty Exemption Affidavit*. Documentation for all income sources including, but not limited to, credits, claims, Social Security income, child support, alimony income, and all other income sources must be provided at time of application.

Petitioners: *Do not sign this application until witnessed by the Supervisor, Assessor, Board of Review or Notary Public.* (Must be signed by either the Supervisor, Assessor, Board of Review Member or Notary Public)

STATE OF MICHIGAN

COUNTY OF _____

I, the undersigned Petitioner, hereby declare that the foregoing information is complete and true and that neither I, nor any household member residing within the principal residency, have money, income or property other than mentioned herein.

Petitioner Signature

Date

Subscribed and sworn this _____ day of _____, 2011

Assessor Signature: _____ Printed Name: _____

BOR Member Signature: _____ Printed Name: _____

Notary Signature: _____ Printed Name: _____

My Commission Expires: _____

This application shall be filed after January 1, but before the day prior to the last day of the December Board of Review to the address below.

Board of Review
c/o Supervisor or Assessor
Name of Local Unit
Street Address
City, State, ZIP

DECISIONS OF THE MARCH BOARD OF REVIEW MAY BE APPEALED BY PETITION TO THE MICHIGAN TAX TRIBUNAL BY JULY 31 OF THE CURRENT YEAR. JULY OR DECEMBER BOARD OF REVIEW DENIALS MAY BE APPEALED TO MICHIGAN TAX TRIBUNAL BY PETITION WITHIN 35 DAYS OF THE DENIAL. A COPY OF THE BOARD OF REVIEW DECISION MUST BE INCLUDED WITH THE PETITION.

Michigan Tax Tribunal
PO Box 30232
Lansing, MI 48909
Phone: 517-373-4400
E-mail: taxtrib@michigan.gov