



Crystal Lake Township Policy & Guidelines *for* Poverty Exemptions (Updated March 2022)

The following *Policy & Guidelines* was adopted for use by the Crystal Lake Township Board on February 15, 2022 and shall henceforward be followed by its Board of Review (BOR) when considering poverty exemptions according to General Property Act (PA) 390 of 1994, Section 211.7u, as amended, of the Michigan Compiled Laws (MCL). At no time shall these guidelines contradict PA 390, Section 211.7u.

This document provides for the principal residence of persons who, in the judgement of the Crystal Lake Township Board of Review, by reason of genuine hardship, are unable to contribute toward the public charges and therefore eligible for exemption in whole or in part from taxation under this PA.

Crystal Lake Township shall retain the authority, under PA 390 of 1994 and as further amended by PA 620 of 2002, to review, update and change these guidelines as it deems necessary.

These application, processing, evaluation and decision making procedures shall be transparent and readily available to the public in hard copy at the township hall and on the township website.

Application:

Applying to the Board of Review is a transparent process and applicants shall not expect privacy. All information and evidence presented to and discussed by, the BOR is subject to the Freedom of Information Act (FOIA).

To be eligible for a poverty exemption in Crystal Lake Township, applicant(s) must apply annually. For each and every year it is requested, applicant(s) must

1. complete and file with Crystal Lake Township the most recent version of Michigan Department of Treasury's forms, currently
 - 5737 *Application for MCL 211.7u Poverty Exemption*; and
 - 5739 *Affirmation of Ownership and Occupancy to Remain Exempt by Reason of Poverty*;
2. provide valid identification (e.g. driver license or other official form of identification);
3. provide proof (e.g. a deed or land contract and other evidence) that the primary applicant (not a trust, business or corporation)
 - owns and occupies the property as their principal residence or qualified agricultural property as defined in MCL 211.7dd;

- satisfies all requirements of a Principal Residence Exemption [PA 390 of 1994 and State Tax Commission Bulletin No. 5 of 1995] by supplying the previous years' Michigan Homestead Property Tax Credits Form MI 1040 CR, IF filed;
4. provide Federal and State of Michigan income tax returns for the current or immediately preceding year in which taxes may be exempted, as the BOR requests, including supporting schedules and any property credits, for all persons residing in the principal residence of property OR if the applicant/owner and/or occupants did not file Federal or State Tax Returns, submit Michigan Department of Treasury Form 4988, "Poverty Exempt Affidavit" (used by applicants who are not required to file federal and state income tax returns);
 5. submit all forms and all required documentation to Crystal Lake Township 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 application for exemption is requested; however, for optimal timing, applicant shall apply in time for the March BOR so that if exemption is granted the tax liability is corrected sooner than later, or if application is deferred there are two more BOR sessions for it to be considered.

Processing Application:

Once an application is completed and returned to the township, together with the packet containing accompanying required paperwork, all shall be submitted to the BOR to be considered at an official appeals session. Meetings of the BOR shall be held in compliance with the Michigan Open Meetings Act (OMA). Therefore, by law, members of the public may observe meetings, and all information involved with the processing of applications is open to public scrutiny.

Poverty Exemptions applications can be heard at the March, July, or December BOR. There can only be one BOR decision made during a single year. [For example: if an application is denied at the March BOR, it may not be heard by the July or December BOR during the same calendar year. However, if the decision is deferred, neither granted nor denied, another application may be submitted within the same year.]

The BOR will review the application, supporting documents and testimony to see if all the information has been supplied, and then continue the review to determine whether both income standards and asset limits have been met.

Applicants do not always have the resources or funds to offer written documents as evidence, although CLT may assist in defraying costs. There is nothing wrong with the BOR listening and giving credibility to verbal testimony when warranted.

The BOR may wish to ask the applicant for any additional information or clarification, pertaining only directly to the situation, as it deems necessary. Applicant(s) or their designated legal representative(s) shall be prepared but not required to appear in person to answer questions regarding their financial affairs, status of people living in the household, and any other topic directly relevant to the exemption request. Likewise, the BOR, as is its prerogative, may wish to observe or visit the property with owner permission, always staying on the exterior of any structures and only to glean information as it relates directly to the evaluation process.

All applications shall be evaluated based on data submitted, testimony taken from the petitioner, observations, and any information gathered from any other source the BOR may deem relevant.

All information gathered is subject to verification to the best of the BOR's ability. Applicant/application may be investigated within reason in order to verify information submitted or statements made. After granting an exemption, any successful applicant may yet be subject to investigation submitted or statements made to the BOR or Assessor specifically concerning the claim of poverty. The verification process could also be used to determine future ineligibility.

The BOR shall either approve an exemption percentage, defer a decision, or deny altogether the request for a poverty exemption. The BOR shall consistently adhere to this policy and these guidelines, and shall not deviate from them. The same standard shall apply to each claimant for the same assessment year. CLT reserves the prerogative to update these guidelines with every new calendar year.

Evaluation Procedure:

First and foremost, the BOR shall review all documents and be satisfied with both the quality overview and accuracy of the information submitted, including expenses, income, salable assets and other factors.

Ultimately, the BOR shall determine whether a full (100%) or partial (50% or 25%) tax exemption is awarded, or if no tax exemption shall be granted for the previous assessment year. In more detail, the following shall comprise the tests' criteria.

1. **Income Test:** Between the applicant's tax return(s) and their current, up-to-date income list(s) as they accompany the State of Michigan's Form 5737, *Application for MCL 211.7u Poverty Exemption*, the BOR will ascertain total income by considering combined income sources for applicant and each additional household member.

Income considered shall include but not be limited to

- a. money, wages and salaries before any deductions;
- b. regular contributions from persons not living in the residence;
- c. net receipts from non-farm or farm self-employment (e.g. receipts from a person's own business, professional enterprise or partnership, after business expense deductions);
- d. regular payments from social security, railroad retirement, unemployment, worker's compensation, veteran's payments, public assistance, supplemental security income (SSI);
- e. alimony, child support, and military family allotments;
- f. private and government employee retirement and disability pensions payments;
- g. regular insurance or an annuity payments;
- h. college or university scholarships, grants, assistantships or fellowships;
- i. dividends and interest, net income from royalties, rentals, estates, trusts, lottery or gambling winnings (periodic or not);
- j. proceeds of sale, dividends or withdrawals from stock, bonds, IRA's, mutual funds;

- k. distributions from partnerships, limited liability companies or corporations (whether or not taxable.)

Income shall exclude but not be limited to

- a. withdrawals of bank deposits;
- b. borrowed money;
- c. income tax refunds;
- d. one time payouts from insurance companies;
- e. losses, such as capital losses or business losses;
- f. gifts or inheritances, unless the purpose of such as determined by the BOR is to assist in the support of the applicant or members of the household; and/or
- g. the Michigan Homestead Property Tax Credit.

To qualify for a 100% exemption, the total of the combined income from all sources of the applicant and each member of the applicant's household shall not exceed the applicable Federal Income Standards for the previous year in which the exemption is filed. **To qualify for a 50% exemption**, the total combine income from all sources for all household members shall not exceed 125% of the applicable Federal Poverty Income Standards. **To qualify for a 25% exemption**, the total shall not exceed 150% of the applicable Federal Poverty Income Standards.

2. **Asset Test:** If the applicant and all household members' combined total income levels meet requirements of the income test, all applicants must further qualify based on the combined value of their listed to-date assets. The applicant(s) must list all assets, separately from filling out Form 5737. The BOR shall then evaluate the list. The purpose of the asset test is to determine the resources available (e.g. cash accounts, cash equivalents) and/or fixed assets (i.e. objects of value or other property) which could be used in lieu of income or converted to pay property taxes in the year the poverty exemption is filed. These guidelines state a maximum total dollar amount; the combined value of all assets cannot exceed that total dollar amount. For purposes of BOR evaluation, the asset list shall

A) not include, because they shall not be considered disposable, the essentials for living for applicant and household members, specifically

- the value of the principal residence, along with any contiguous residential land;
- all personal property essentials such as furniture, appliances located therein; and
- any claim to tribal lands.

B) include items of worth that may or may not be deemed disposable, such as, but not limited to

- a) a primary vehicle for basic transportation, necessary for earning a living, and/or specifically outfitted to accommodate a disability;
- b) a computer and/or other electronics

- c) banked cash or cash equivalent not to exceed \$1400 for the applicant, up to \$900 for each of the additional occupants, and not to exceed \$5,000 for the entire household (*);
- d) any tools, structures, equipment and appropriate vehicle(s) used in current or pursuit of gainful or expanded employment;
- e) more than a minimum “footprint” for the home; and
- f) federal or state non-cash benefits programs and certain tax credits (e.g. Medicare, Medicaid, Meals On Wheels, Elder Prescription Insurance Coverage, Home Heating Credits, food stamps and school breakfast and lunches programs.)

C) include all else that is considered disposable in the household and on the property such as, but not limited to all revenue, all non-revenue producing assets, and any salable property possibly converted to cash. Examples are:

- a) any cash, coinage and bank accounts above considered amount (*);
- b) stock, bonds, IRA’s, life insurance, mutual funds;
- c) money received from the sale of property (e.g. a house, car or equipment)
- d) motorized vehicles (e.g. non-essential autos and trucks, recreational boats, ATV’s, RV’s, snowmobiles, motorcycles);
- e) non-motorized vehicles and objects (e.g. recreational boats, campers, trailers);
- f) miscellaneous equipment, apparatus or valuable personal property;
- g) electronics not associated with modern necessary computer usage (e.g. T.Vs, gaming)
- h) jewelry, antiques, artwork and other valuable items;
- i) non-contiguous land parcel, a second home or other buildings/structures
- j) specialized collections (e.g. coin, vehicle, stamp);
- k) gifts, loans, lump-sum inheritances and one-time insurance payments;
- l) vehicle, food or housing or other commodities received in lieu of wages;
- m) the value of food and fuel produced and consumed on farms;

To qualify for any exemption, in addition to a qualified income level, the total value of all additional assets (amount of cash, fixed assets or other property) that could be used or converted to cash for use in payment of property taxes shall not to exceed \$6000 for the claimant for the owner(s) and \$1500 for every additional household member, not to exceed a total of \$12,500.

Decisions:

The Crystal Lake Board of Review has jurisdiction over the granting of property tax relief due to financial hardship. The BOR shall take this task seriously and shall attempt to provide tax relief to all deserving property owners within the township.

All decisions shall be based on evidence and testimony, and shall be based on fact, not opinion or feelings.

Following a hearing, the BOR must make a decision with a quorum present and can be made at the meeting in front of the petitioner or they can be made later at another open meeting called specifically to make decisions.

Decisions apply to current year only (e.g. if an exemption is granted, exemption is in effect for the approved year only.)

1. A whole or partial exemption shall be granted by the BOR if it determines that an applicant
 - a. does not have income in excess of the total income allowed; and
 - b. does not have assets in excess of allowance which can reasonably be counted towards wealth, invested, sold or used to pay property taxes; and
 - c. does not receive or can reasonably expect to receive contributions towards tax payments through any other sources; and/or
2. An exemption shall be denied if the BOR determines that an applicant
 - a. has combined income and assets of a nature and value which reasonably indicate that a condition of hardship does not or does not need to exist; and
 - b. the information submitted appears to be misleading, fraudulent, missing or incomplete.
3. An exemption decision shall be deferred if the BOR determines more information/investigation is needed.
4. The township shall notify the applicant in writing by U.S. Mail regarding the BOR's decision, including a detailed explanation, within 14 days of the BOR's determination.

Appeals:

The taxpayer must file an appeal of the March BOR decision to the Michigan Tax Tribunal; appeals must be sent to the Michigan Tax Tribunal by July 31st of the year in which it was filed OR decisions of the July or December BOR's may be appealed to the Michigan Tax Tribunal within 35 days of the denial.

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

A copy of the BOR decision must be included with the filing of an appeal and sent to:

Michigan Tax tribunal
PO Box 30232
Lansing MI 48909
(Phone: 517-373-3003 Fax: 517-373-1633 Email: taxtrib@michigan.gov)

For more information on how to file an appeal is available by contacting the Michigan Tax Tribunal or consulting the Michigan Tax Tribunal website, <http://www.michigan.gov/taxtribunal>