

“THE LEGAL BRIEF”

Advice to the Guardians of the Great Lakes



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MICHIGAN PRINCIPAL RESIDENCE EXEMPTION – APPROACHING DEADLINES – KNOW THE RULES!

Coast Guard military personnel who own homes in Michigan should be aware of rules pertaining to the Michigan Principal Residence Exemption (PRE). Why? Because PRE significantly reduces real estate tax rates for qualifying homeowners and qualifying properties. Not all homeowners or properties qualify for the PRE, but many do. It is critical that members be informed about the process and be proactive – especially those who own homes in Michigan but are stationed elsewhere!

This newsletter is prompted by the fact that some Coast Guard homeowners in Michigan have learned the hard way that failure to QUALIFY or otherwise comply with the LETTER of the LAW can lead to a significant tax liability, including collection action for thousands of dollars in back property taxes. This “Legal Brief” is not a substitute for professional guidance from a tax specialist, Certified Public Accountant or attorney. It is imperative that you consult with a professional (or at least your local legal assistance attorney), if you do not understand the rules or if you need a second opinion. An ounce of prevention is better than a pound of cure.

Military Homeowners Stationed in MI: Military personnel currently stationed in Michigan who own and reside in their principle residence should review the publication entitled: “Guidelines for the Michigan Principal Residence Exemption Program” (http://www.michigan.gov/documents/2856_11014_7.pdf), to be sure that they qualify for the PRE. Those who qualify for the PRE are required to file the "Principal Residence Exemption (PRE) Affidavit (Form 2368)" - http://www.michigan.gov/documents/2368f_2605_7.pdf - within one of the deadlines stated on the form (and explained in detail in the Guidelines). Once filed, homeowners should continue to qualify for the PRE for as long as they own AND reside in the home.

Military Homeowners Stationed OUTSIDE of MI: Military homeowners who own a home in Michigan but who are stationed OUTSIDE of Michigan have another form and deadline that may apply to their situation. Typically, Michigan home owners cannot rent their residence to a tenant and also claim the PRE. However, there is an EXCEPTION to this rule for certain military homeowners. Military homeowners who rent their residence to tenants MAY qualify for the PRE if they MEET eligibility requirements listed on the "Active Duty Military Affidavit" (Form 4660 - http://www.michigan.gov/documents/taxes/4660_247121_7.pdf) and then FILE the affidavit by the appropriate deadline. For homeowners who have NOT yet filed an affidavit, the coming deadline is just around the corner: MAY 1, 2016! The PRE should be good for 3 tax years after filing. Confirming that the tax assessor received your submission is critical – so follow up is important.

Appeals Process: Failure to comply with instructions on the “PRE Affidavit (Form 2368)” or the "Active Duty Military Affidavit (Form 4660)" may disqualify military homeowners from the tax exemption. There is an appeals process for those homeowners whose PRE applications have been denied. The appeals process is detailed in the “Guidelines” publication referenced above. However, not all who appeal prevail. The better approach is to file the appropriate affidavit(s) on-time.

Bottom line: Military personnel who own a home in Michigan need to be familiar with rules pertaining to the Michigan Principal Residence Exemption Program and the Active Duty Military Affidavit. Homeowners who need more info about the PRE can address their questions to the Michigan Department of Taxation Principal Residency Exemption unit at (517) 373-1950. Current forms and additional guidance is available at www.michigan.gov/PRE. You are also welcome to contact your servicing military legal assistance attorney – which for the Ninth District is Steve Lynch, (216)902-6010, stephen.t.lynch@uscg.mil.