

**Principal Residence Exemption
Frequently Asked Questions
From the Michigan Department of Treasury 4614 (Rev. 10-09)**

1. What is a Principal Residence Exemption (PRE)?

In accordance with MCL 211.7dd, a *principal residence* is defined as the "...one place where an owner of the property has his or her true, fixed, and permanent home, to which whenever absent, he or she intends to return...." An *exemption* means that the home, after applying and qualifying with the local assessor, is not subject to the tax levied by a local school district for school operating purposes up to 18 mills.

2. How does the Department of Treasury determine a taxpayer's principal residence?

Factors to be considered in determining a principal residence include where taxpayers keep their most important possessions, house their family, vote, maintain club and lodge memberships, buy automobile licenses, maintain a mailing address and banking location, operate a business, or sue for divorce. However, no one of these factors is controlling.

3. What is acceptable verification of occupancy and Michigan residency to show I am entitled to the exemption?

Some examples of acceptable documents that show the property was occupied as the principal residence of the owner are:

- A. Both sides of a driver's license with property address.
- B. A voter's registration record.
- C. A cancelled check showing the property address.
- D. Medical billings from physicians in the vicinity of the property.
- E. Utility and property tax bills with the mailing address of the property.
- F. Bank and charge accounts showing purchases in the vicinity of the property.
- G. Income tax returns showing the mailing address.
- H. An insurance policy showing the mailing address and relevant dates.

NOTE: This is not an all inclusive list and no one item is particularly controlling. When submitting documentation, remember to black out any sensitive information.

4. What is acceptable verification of ownership?

A warranty deed; quit claim deed; land contract; life estate; life lease (holder of the life lease must have been the prior owner); beneficiary of a will or trust; or a grantor who has placed the property in a revocable trust or a qualified personal residence trust. All documents verifying ownership must either be notarized and/or recorded.

5. What if the property was foreclosed upon and is now owned by a mortgage company or some other business?

In order for property to qualify for the PRE, the owner must be a living person(s) who holds legal title to the parcel. A partnership, corporation, limited liability company, association, or other legal entity does not meet the requirements of an "owner" as defined by MCL 211.7dd. In addition, if the owner prior to foreclosure, did not occupy the property as his or her principal residence, the additional tax and related fees for those years would become a lien against the property since the mortgage company or other business is not considered a bona fide purchaser. A bona fide purchaser is one who purchases in good faith for valuable consideration.

6. Can I receive a PRE on my parcel of land next to my home?

Generally, land adjoining or contiguous to a person's principal residence qualifies for a PRE if that person owns the adjoining or contiguous parcel(s). However, the adjoining or contiguous parcel must be classified as residential and be unoccupied to qualify for the exemption.

7. Where can I find more information about PREs?

Information regarding PREs is found at www.michigan.gov/pre.