

Audit Procedures for Granting or Removal of Real Property Exemptions

The **{Your Unit of Government}**, headed by the City Assessor, is charged with locating, identifying and valuating all taxable real property and personal property within the **{Your Unit of Government}** Municipality in order to provide a fair and equitable basis for taxation.

The assessing office maintains descriptions of real property, maintains maps showing the ownership and tax districts for the **City/ Township**, and processes property tax exemptions.

Property tax exemptions are granted based on three elements:

- (1) Property ownership,
- (2) Property use, and
- (3) Statutory definition

Taxpayers receiving an exemption may be required to apply through the assessing office or other designated office. Michigan State Law includes a range of mandatory exemptions and optional exemptions available for residential, commercial and industrial property.

The assessing office conducts annual reviews and maintains information for those properties that are exempt from taxation to determine whether such properties continue to qualify for an exemption. The annual review of exemptions ensures that properties are correctly assessed and validates the ownership and usage of the properties; some mandatory exemptions were not reviewed since the assessing office has no option but to grant the exemption.

Active monitoring of changes to recorded title, public information review, and periodic field inspections are included as part of the annual review of exempt property. The primary elements of an exemption determination are based on the ownership and use of the property depending on the type of exemption.

Assessing staff reviews property ownership as part of the first consideration for an exemption determination. Secondly, assessing staff confirms that the property is in use for nonprofit exempt purposes. In the case of senior citizen, disabled veterans and residential exemptions, there are specific requirements related to occupancy and other criteria related to each exemption.

Assessing staff annually reviews exemption determinations employing four elements depending on the type of exemption.

- First, all property ownership records are monitored to confirm continuance of ownership to the exempt entity or person through review of ownership records held at the **{Your County}** Register of Deeds.
- Second, annually staff inspects over 5% of properties throughout the **{Your Unit of Government}** and notes any changes to exempt properties for review.

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- Third, the division monitors public information concerning exempt properties and owners.
- Finally, division staff conducts annual reviews of exempt property for ownership and use conformance to exemption programs to include cross reference to the **{Your Unit of Government}** Water Department Records and Rental Registration, public information reviews (business licenses, articles of incorporation, web sites and periodicals), and property inspections.

The Assessing office also strives to maintain exemption files with sufficient documentation to support the decision to grant the exemption. For example, religious exemption files need to include copies of articles of incorporation, Internal Revenue Service determination of nonprofit status, usage statement, contracts for use of the property by other than the applicant organization, and financial disclosures.

Exemption records are maintained in two ways. The primary system is the Assessing .NET computerized data system that retains information regarding ownership, location, physical description; inspection dates staff comments, and exemption status. This system is generally adequate and contains sufficient data to administer the exemptions

The second data system is a paper file system that includes the original application and the documents and correspondence that supports the exempt status. The primary source for documenting an exemption is the paper application that is submitted along with supporting documentation.