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DEPARTMENT OF TREASURY
LANSING

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Bulletin 17 of 2025
November 18, 2025
MCL 211.7u Poverty Exemption

TO: Assessors and Equalization Directors
FROM: Michigan State Tax Commission
SUBJECT: MCL 211.7u Poverty Exemption

Bulletin 22 of 2023 is rescinded.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. For purposes of the poverty exemption "principal residence" is how principal residence exemption and qualified agricultural property are defined in MCL 211.7dd. The exemption does not apply to property owned by a corporation.

This bulletin includes updates reflecting recent changes to Form 5737, *Poverty Exemption Application* which now incorporates former Form 5739 (*Affirmation of Ownership and Occupancy to Remain Exempt by Reason of Poverty*) and has been retitled *Poverty Exemption Application and Affirmation*, as well as the elimination of the extension for poverty applications, which is no longer permitted by statute.

Local Unit Responsibilities

MCL 211.7u requires local units to adopt guidelines that specify the income and asset levels applicable to the applicant as well as the total household income and assets. If the local unit maintains a website, the statute requires that the policy, guidelines, and poverty application (Form 5737) be made publicly available on the local unit's website. The local unit should also make available Form 4988, *Poverty Exemption Affidavit* which is used by applicants who are not required to file federal and state income tax returns.

Income Test

Local units must adopt guidelines that specify the total household income levels used to approve or deny poverty exemptions. The adopted income levels shall not be set lower than the federal poverty guidelines published in the prior calendar year in the *Federal Register* by the United States Department of Health and Human Services. For reference, the applicable federal poverty guidelines are published annually by the State Tax Commission.

According to the United States 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

The Michigan homestead property tax credit **cannot** be considered as income for purposes of the poverty exemption. (*Ferrero v Walton Twp, Court of Appeals No. 302221*).

Asset Test

The local unit guidelines must include an asset test. This asset test must clearly state the maximum value of all assets allowable to be eligible for the poverty exemption. This means that the guidelines must state a total dollar limit, and the value of all assets cannot exceed that amount.

The purpose of an asset test is to determine the resources available to the applicant: 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 value of the principal residence **cannot** be included in the asset test (*Robert Taylor v Sherman Twp, MTT Docket No. 236230*).

The local unit should require applicants to provide a complete list of all assets when applying for a poverty exemption. The State Tax Commission provides the following list of assets that may be included in the local unit asset test (this list is not exhaustive and is intended as examples of assets that may be considered):

- A second home, land, vehicles
- Recreational vehicles such as campers, motor-homes, boats and ATV’s
- Buildings other than the principal 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 local unit policy may allow an applicant to own possessions in addition to the principal residence and qualify for 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)

Full or Partial Poverty Exemptions

PA 253 of 2020 made changes regarding the granting of full or partial poverty exemptions. MCL 211.7u(5) provides that if an applicant meets all eligibility requirements, the Board of Review shall grant the poverty exemption, in whole or in part, as follows:

1. A full exemption equal to a 100% reduction in taxable value for the year in which the exemption is granted; or
2. A partial exemption equal to a 75% reduction in taxable value for the year in which the exemption is granted; or
3. A partial exemption equal to a 50% reduction in taxable value for the year in which the exemption is granted; or
4. A partial exemption equal to a 25% reduction in taxable value for the year in which the exemption is granted.

No other method of calculating taxable value may be used except for the percentage reductions specifically authorized by statute, or any other percentage reduction approved by the State Tax Commission. Local assessing units wishing to use any other percentage reduction other than what is stated in MCL 211.7u(5) must obtain approval by filing Form 5738, *Request for Approval of Percentage Reduction in Taxable Value for Poverty Exemptions Under MCL 211.7u* with the State Tax Commission.

The State Tax Commission has adopted a Policy Regarding Requests for Percentage Reductions in Taxable Value For Poverty Exemptions Under MCL 211.7u which details how these requests will be processed. Both the policy and Form 5738 are available on the State Tax Commission’s website at <https://www.michigan.gov/statetaxcommission>.

The State Tax Commission recommends that local assessing units include language and criteria in their guidelines for granting partial exemptions and/or establishing minimum or maximum exemptions amounts.

How To Apply for The Poverty Exemption

To request a poverty exemption, a taxpayer must file:

1. Form 5737 *Application and Affirmation for MCL 211.7u Poverty Exemption*
2. All required additional documentation (such as federal/state income tax returns)

Form 5737, along with any additional supporting documentation, must be filed with the local assessing unit where the property is located. **Do not file the form with the Department of Treasury or the State Tax Commission.**

The form may be submitted to the local assessing unit 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.

Taxpayers should contact the local assessing unit directly to verify submission deadlines to ensure that their application is reviewed by a Board of Review during that calendar year.

In addition to filing Form 5737 and any supporting documentation, a taxpayer must do all the following to be eligible for the poverty exemption:

1. Own and occupy the property as a 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). Federal and state income tax returns are not required for a person residing in the principal residence if that person was not required to file a federal or state income tax return. Instead, Form 4988, *Poverty Exemption 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.
3. Produce a valid driver license or other form of identification, if requested.
4. Produce a deed, land contract, or other evidence of ownership of the property, if requested.
5. Meet the federal poverty guidelines published in the prior calendar year in the Federal Register by the United States Department of Health and Human Services **or** alternative guidelines adopted by the local assessing unit. The alternative guidelines cannot provide income eligibility requirements less than the federal guidelines.
6. Meet the asset level test adopted by the local assessing unit.

Board of Review Responsibilities

The Board of Review shall approve or deny requests for the poverty exemption. The Board of Review is required to follow the policy and guidelines adopted by the local assessing unit in granting or denying a poverty exemption. The Board of Review may not deviate from the adopted policy and guidelines.

Poverty exemptions for the current year may be heard at the March, July, or December Board of Review. However, only **one** Board of Review decision is permitted for a specific calendar year. A subsequent Board of Review may not reconsider a decision already made in the same tax year. For example: if an application is denied at the March Board of Review, it may not be reheard by the July or December Board of Review in the same calendar year. The taxpayer must file an appeal of the March Board of Review decision to the Michigan Tax Tribunal.

PA 191 of 2023 amends both MCL 211.7u and MCL 211.53 to authorize the July and December Board of Review to grant a poverty exemption, as a qualified error, for the immediately preceding year on the principal residence of a person who establishes eligibility as required by Section 7u. This applies if an exemption was not included on the assessment roll and was not previously denied. If application is being submitted for a prior-year exemption, the guidelines in effect for that prior year must be used.

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

Appeal Rights

An appeal of the decision made by the March Board of Review must be filed by completing and submitting a petition to the Michigan Tax Tribunal no later than July 31 of the same year. A decision of the July or December Board of Review may be appealed by filing a petition with the Michigan Tax Tribunal within 30 days of the Board of Review's decision.

Additional information on how to file an appeal is available by contacting the Michigan Tax Tribunal or by visiting its website at <https://www.michigan.gov/taxtrib>.