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EXEMPT VETERANS' CASKETS FROM SALES TAX

House Bill 4452 with committee
amendment
First Analysis (10-4-00)

Sponsor: Rep. Randy Richardville
Committee: Veterans Affairs

THE APPARENT PROBLEM:

Under the General Sales Tax Act, the sales tax applies to the cost of items purchased for a funeral or burial, but not to the cost of services performed for the funeral or burial. This means, then, that the purchase of caskets or other burial containers is subject to the sales tax.

It has been suggested that it would be appropriate for the state to exempt from the tax caskets and other burial containers purchased for veterans who served in the U.S. armed services.

THE CONTENT OF THE BILL:

The bill would amend the General Sales Tax Act to exempt sales of caskets (or other outside burial container) for burying any honorably discharged veteran of a federally recognized branch of service, and would require the family of a deceased veteran to submit verification of the deceased veteran's honorable discharge within 240 days of interment.

MCL 205.4b

BACKGROUND INFORMATION:

A similar bill was reported out of the House Tax Policy committee last session. The House Legislative Analysis Section analysis said that that session's bill, House Bill 5252, came at the request of a contingent of military veterans from Gladwin County, including some who served on the county committee that hears requires for veteran burial allowances. According to that analysis, on an average, families spend from \$1,800 to \$2,800 for a casket, though of course caskets can cost far less and much more than those amounts.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would reduce sales tax revenue by an estimated \$1.9 million in fiscal year 2000-2001. This reduction would reduce

School Aid Fund revenue by \$1.39 million, General Fund/General Purpose revenue by \$.5 million, and revenue sharing by \$.46 million. (10-4-00)

ARGUMENTS:

For:

The bill would provide another means for the state to express its gratitude for the service of its veterans by exempting the families of veterans who die from having to pay sales tax on the casket or other burial container used to bury the deceased veteran family member. While perhaps not of great monetary value for most people, the symbolic honoring of veterans in this way would provide their families both with a recognition of the service their family member had rendered to his or her country and with a small financial acknowledgment. Although the bill would apply to all veterans, it perhaps most immediately would affect the families of World War II veterans, who reportedly are dying at the rate of 1,000 per day. Finally, reportedly it takes 6 to 8 months to get veterans' documents from the federal government. The bill would take this into account by giving the families of deceased veterans up to 240 days to obtain the necessary eligibility documentation.

Against:

There are better ways to provide benefits and services to veterans than through the tax code. Using the appropriations process would be a better approach. Moreover, as the sales tax is a major source of funding for the state School Aid Fund, by reducing sales tax revenue the bill would have an adverse impact on state funding of the state's school system. While veterans are a special group and deserve recognition for their sacrifices, does the state really want to honor one group at the expense of the upcoming generation of schoolchildren?

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POSITIONS:

The Veterans of Foreign Wars of the U.S., Department of Michigan supports the bill. (10-4-00)

The American Legion, Department of Michigan supports the bill. (10-4-00)

The Department of Treasury opposes the bill. (10-4-00)

Analyst: S. Ekstrom

#This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.