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BILL ANALYSIS



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Senate Bill 352 (as reported without amendment)
Sponsor: Senator Dave Hildenbrand
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to exempt from the collection of taxes real property used and owned as a homestead by a disabled veteran who was discharged from the Armed Forces of the United States under honorable conditions. The bill would define "disabled veteran" as a person who meets all of the following criteria:

- Is a resident of this State.
- Has been determined by the U.S. Department of Veterans Affairs (USDVA) to be permanently and totally disabled as a result of military service and entitled to veterans' benefits at the 100% rate.
- Has been rated by the USDVA as individually unemployable.

This would replace a current exemption for the homestead of a soldier or sailor who was discharged under honorable conditions with a service-connected disability, and who has a certificate from the U.S. Veterans' Administration, certifying that he or she is receiving or has received pecuniary assistance due to disability for specially adapted housing.

If a soldier or sailor entitled to the current exemption dies, the exemption continues for his or her unremarried surviving spouse, as long as he or she remains unremarried. Under the bill, if a disabled veteran who was otherwise eligible for the proposed exemption died before or after it was granted, the exemption would remain available to or continue for the veteran's unremarried surviving spouse, as long as he or she remained unremarried.

The bill generally would retain the process for a disabled veteran to claim the exemption, which requires an affidavit to be filed with the supervisor or other assessing officer. As currently provided, each local unit would bear the loss of its portion of the taxes upon which the exemption had been granted.

MCL 211.7b

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce local property tax revenue by an unknown amount, depending on the number of individuals who would seek the exemption and the specific characteristics of any property affected by the bill.

Michigan has approximately 82,300 veterans with a service-connected disability, of whom an estimated 8,000 are rated as 100% disabled. The number of disabled veterans who own their home or other property that is taxed under the General Property Tax Act is unknown, as is the number of disabled veterans who are rated as individually unemployable.

However, if all disabled veterans rated at 100% disabled were approved for an exemption, the bill is estimated to reduce local unit revenue by approximately \$9.4 million per year. If 10% of these disabled veterans were approved for the exemption, the bill would reduce local unit revenue by approximately \$0.9 million per year. State revenue would unlikely be affected by the bill because the State Education Tax is levied by a separate act. The only potential impact on State revenue would be from property taxed under other provisions of the General Property Tax Act.

The bill's exemption would affect all taxes levied under the General Property Tax Act by all taxing authorities, not just the local tax collecting authority with which the taxpayer filed the affidavit. Local units would not have the ability to opt out of the exemption and acceptance of a proper affidavit would be compulsory. Once accepted, the exemption would affect property taxes levied by a wide variety of entities, including the local city or township, as well as levies from the county, library or transit authorities, and any other authority that assessed a tax under the Act.

The bill could increase State revenue by an unknown amount. Under the individual income tax, the State offers credits against property taxes, both through the homestead credit for veterans and blind people and the regular homestead property tax credit. To the extent that taxpayers pay less in property taxes, they are less likely to qualify for the credit or will qualify for a smaller credit. Any reduction in property tax credits would increase General Fund revenue. Similarly, to the extent that affected taxpayers itemized their deductions under the Federal income tax, the bill would reduce their deductions and potentially increase their Federal liability.

Date Completed: 5-21-13

Fiscal Analyst: David Zin

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