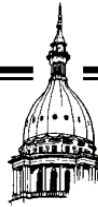




Senate Fiscal Agency  
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## BILL ANALYSIS



Telephone: (517) 373-5383  
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Senate Bill 352 (as enacted)  
Sponsor: Senator Dave Hildenbrand  
Senate Committee: Finance  
House Committee: Tax Policy

**PUBLIC ACT 161 of 2013**

Date Completed: 11-20-13

**CONTENT**

**The bill amended the General Property Tax Act to exempt from taxation the homestead of a veteran who is permanently and totally disabled, is a recipient of assistance due to disability for specially adapted housing, or is individually unemployable. This replaces a former exemption for the homestead of disabled veteran who was receiving assistance for specially adapted housing.**

Specifically, the bill exempts from the collection of taxes under the Act 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 defines "disabled veteran" as a person who is a resident of this State and meets one of the following criteria:

- 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 a certificate from the U.S. Veterans' Administration, or its successor, certifying that he or she is receiving or has received pecuniary assistance due to disability for specially adapted housing.
- Has been rated by the USDVA as individually unemployable.

The former exemption, which the bill replaces, applied to real property used and owned as a homestead by a soldier or sailor who was discharged under honorable conditions with a service-connected disability, and who had a certificate from the U.S. Veterans' Administration, certifying that he or she was receiving or had received pecuniary assistance due to disability for specially adapted housing.

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

The bill generally retains the process for a disabled veteran to claim the exemption, which requires an affidavit to be filed with the supervisor or other assessing officer. The bill deleted a requirement that the affidavit be accompanied by a certificate from the Veterans' Administration. Previously, the county treasurer was authorized to cancel taxes for any year in which a soldier or sailor had acquired title to exempt real property. The bill, instead,

requires the county treasurer to cancel taxes for any year in which a disabled veteran eligible for the exemption has acquired title to exempt real property.

As already provided, each local unit will bear the loss of its portion of the taxes upon which the exemption has been granted.

The bill took effect on November 12, 2013, and named Public Act 161 the "Dannie Lee Barnes Disabled Veteran Property Tax Relief Act".

MCL 211.7b

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill will reduce local property tax revenue by an unknown amount, depending on the number of individuals who will 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, it is estimated that the bill would reduce local unit revenue by approximately \$9.4 million per year, and State Education Tax revenue to the School Aid Fund by \$2.1 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, and State Education Tax revenue to the School Aid Fund by \$0.2 million per year.

The bill's exemption will affect all taxes collected under the General Property Tax Act by all taxing authorities, not just the local tax collecting authority with which the taxpayer files the affidavit. Local units will not have the ability to opt out of the exemption, and acceptance of a proper affidavit will be compulsory. Once accepted, the exemption will 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 assesses a tax under the General Property Tax Act.

The bill also may 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 will increase General Fund revenue. Similarly, to the extent that affected taxpayers itemize their deductions under the Federal income tax, the bill will reduce their deductions and potentially increase their Federal liability.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.