



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 352 (as introduced 5-7-13)
Sponsor: Senator Dave Hildenbrand
Committee: Finance

Date Completed: 5-14-13

CONTENT

The bill would amend the General Property Tax Act to exempt from taxation the homestead of a veteran who was permanently and totally disabled and individually unemployable, according to the U.S. Department of Veterans Affairs. This would replace the current exemption for the homestead of disabled veteran who is receiving assistance for specially adapted housing.

Specifically, the bill would 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.

The existing exemption, which the bill would replace, applies 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 has a certificate from the U.S. Veterans' Administration, certifying that the person is receiving or has received pecuniary assistance due to disability for specially adapted housing.

Currently, if a soldier or sailor entitled to the exemption dies, the exemption continues for his or her unremarried surviving spouse, as long as he or she remains unmarried. Under the bill, if a disabled veteran who was otherwise eligible for the 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. The bill would delete the requirement that the affidavit be accompanied by a certificate from the Veterans' Administration. Currently, the county treasurer is authorized to cancel taxes for any year in which a soldier or sailor has acquired title to exempt real property. The bill, instead, would require the county treasurer to cancel taxes for any year in which a disabled veteran eligible for the exemption had acquired title to exempt real property.

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 which 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 and is unaffected by the bill. 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 General Property Tax Act.

The bill could increase State revenue by an unknown amount. First, 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.

Second, the bill also could increase local unit revenue by an unknown amount, offsetting some of the revenue loss from the new exemption provisions. The bill would eliminate the exemption currently granted under Section 211.7b, which provides the same exemption, but only to soldiers or sailors receiving financial assistance for specially adapted housing required by their disability. To the extent that there were soldiers or sailors living in such housing and receiving such assistance, but who were not 100% disabled and individually unemployable, those individuals would no longer qualify for an exemption under the bill.

Fiscal Analyst: David Zin

S1314\352sa

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.