

Legislative Analysis



NONPROFIT HOSPITAL AND HOUSING SALES AND USE TAX EXEMPTION

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House Bills 6076 and 6077 (Substitutes H-1)

Sponsor: Rep. Rich Brown

Committee: Tax Policy

Complete to 11-29-06

A SUMMARY OF HOUSE BILLS 6076 & 6077 AS REPORTED FROM COMMITTEE

The General Sales and Use Tax Acts (MCL 205.54w and 205.94s) exempt from taxation property purchased by a person engaged in the business of constructing, altering, repairing, or improving real estate of others, to the extent that the property is affixed to and made a structural part of a nonprofit hospital or nonprofit housing entity. The acts define "nonprofit hospital" to mean, among other things, a county medical care facility built after December 31, 1995.

The bills would define "affixed to and made a structural part of" – as the exemption applies to a county medical care facility – to mean any physical connection to an *existing* nonprofit hospital or a housing entity. In addition, the bills specify that a nonprofit hospital also include any addition to an existing county long-term medical care facility, if the addition is owned and operated by either the county or the facility, irrespective of whether the addition is licensed as a nursing home or skilled nursing facility or whether the addition meets the other requirements set forth to be a "nonprofit hospital."

The acts currently provide that the term "nonprofit hospital" does not include a freestanding building or other real property of a nursing home or skilled nursing facility, a hospice, or a home of the aged licensed under the Public Health Code.

The bill would be retroactive and effective for taxes levied after June 30, 1999.

FISCAL IMPACT:

Although the bills would result in a reduction in sales and use tax revenue, the amount of the reduction cannot be determined because the number of eligible projects (and their respective costs) is not known. Approximately 72 percent of sales tax revenue and one-third of use tax revenue are earmarked to the School Aid Fund.

POSITIONS:

The Michigan Association of Counties supports the bills. (11-29-06)

The Michigan County Medical Care Facilities Council supports the bills. (11-29-06)

The Michigan Hospital Association supports the bill. (11-29-06)

The Michigan County Social Services Agency supports the bill. (11-29-06)

The Iron County Medical Care Facility supports the bill. (11-29-06)

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■ 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.