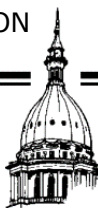




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BILL ANALYSIS



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Senate Bill 104 (Substitute S-3 as reported)
Sponsor: Senator Glenn S. Anderson
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to authorize the governing body of a local taxing unit, by resolution, to exempt the principal residence of a qualified disabled veteran or his or her unremarried surviving spouse from any ad valorem tax levied by that local taxing unit.

The bill would define "qualified disabled veteran" as a person who is a veteran; has a service-connected disability; is 100% disabled as determined by the U.S. Department of Veterans Affairs; and has a taxable income less than two times the Federal poverty level.

"Veteran" would mean a person who served in the active military, naval, marine, coast guard, or air service and who was discharged or released from service with an honorable discharge or a general (under honorable conditions) discharge. "Service-connected disability" would mean a disability incurred or aggravated in the line of duty in active military, naval, or air service.

A local taxing unit that adopted a resolution to create this exemption would have to give a copy of the resolution to the assessor for the local tax collecting unit. To claim the exemption, a qualified disabled veteran or his or her unremarried surviving spouse would have to file an application with the assessor by December 31.

If the exemption were not on the tax roll, the veteran or spouse could file an appeal with the July or December board of review under Section 53b (which allows appeals for qualified errors), in the year for which the exemption was claimed or the following year.

Within 90 days after exempt property was no longer the principal residence of a qualified disabled veteran or his or her unremarried surviving spouse, the property owner would have to file a rescission form with the local tax collecting unit. An owner who failed to do so would be subject to a penalty of \$5 per day for each separate failure beginning after the 90 days had elapsed, up to a maximum of \$1,000. The penalty would have to be deposited in the General Fund of the State.

If the assessor of a local tax collecting unit believed that a person claiming the exemption was not a qualified disabled veteran or his or her unremarried surviving spouse, the assessor could deny the exemption. The applicant could appeal the denial to the board of review. Decisions of the board could be appealed to the Residential and Small Claims Division of the Michigan Tax Tribunal.

Proposed MCL 211.7II

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce local property tax revenue by an unknown and likely minimal amount, depending on the number of individuals who would seek the exemption, the number of exemptions approved by local tax collecting units, 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 100% disabled. Nationally, approximately 21.6% of veterans have an income that is below 200% of the poverty level. The number of disabled veterans who are 100% disabled and own a principal residence that is taxed under the General Property Tax Act is unknown, as is the number of disabled veterans with taxable income below 200% of the poverty level. (Disability income is not taxable.) However, if the maximum number of disabled veterans were approved for an exemption (assuming 21.6% of the 100% disabled veterans met the income threshold), the bill is estimated to reduce local unit revenue by approximately \$2.0 million per year. If qualified veterans represented only 10% of this figure and were approved for the exemption, the bill would reduce local unit revenue by approximately \$0.2 million per year.

It is unlikely that State revenue would be reduced by the bill because the State Education Tax is levied by a separate statute and would be unaffected by the bill. The only negative 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 taxes levied under the General Property Tax Act only by the local taxing unit adopting the resolution. As a result, if a city or township approved the exemption, it would exempt affected property only from that city's or township's levy. Other levies, such as those from the county, library or transit authorities, and any other authority that assessed a tax under the Act, would be unaffected unless those entities also adopted resolutions regarding the taxpayer. To the extent that a veteran who would qualify under the bill already receives (or qualifies for) an exemption under MCL 211.7b for disabled veterans receiving supplements to provide for specially adapted housing, the bill would have no fiscal impact on the taxpayer or local unit.

The bill could increase State revenue by an unknown, but likely negligible 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 itemize 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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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.