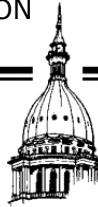




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BILL ANALYSIS



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

Date Completed: 5-14-13

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.

(The income threshold for the Federal poverty level in 2013 is \$11,490 per one-person household. This means that under the bill, in 2013, a qualified disabled veteran in a household of one would have to have an income less than \$22,980.)

Claiming & Rescinding Exemption

If a local taxing unit adopted a 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 the local taxing unit, it would have to provide a copy of that resolution to the assessor for the local tax collecting unit in which the local taxing unit is located. ("Local taxing unit" would mean an entity that levies an ad valorem property tax.)

To claim the exemption, a qualified disabled veteran or his or her unremarried surviving spouse would have to file an application with the assessor of the local tax collecting unit by December 31. The application would have to be in a form prescribed by the Department of Treasury.

Not more than 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 rescind the exemption by filing a rescission form, prescribed by the Department, with the local tax collecting unit.

An owner who failed to file a rescission 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 collected under the revenue Act, and be deposited in the General Fund of the State.

Denial of Status

If the assessor of a local tax collecting unit believed that a person claiming the proposed exemption was not a qualified disabled veteran or his or her unremarried surviving spouse, the assessor could deny the exemption by notifying the person in writing. 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.

Qualified Error Appeal

If the proposed exemption for the principal residence of a qualified disabled veteran or his or her unremarried surviving spouse 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, in the year for which the exemption was claimed or the following year. For purposes of Section 53b, an exemption granted on appeal would be considered the correction of a clerical error.

(Section 53b allows appeals to the board of review in the case of qualified errors, and provides for the rebate of an overpayment or the collection of an underpayment. The definition of "qualified error" includes a clerical error relative to the correct assessment figures, the rate of taxation, or the mathematical computation related to the assessing of taxes.)

Proposed MCL 211.711.

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 which 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 General Property Tax 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 itemized their deductions under the Federal income tax, the bill would 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.