

Legislative Analysis



EXPAND HOMESTEAD PROPERTY TAX CREDIT FOR DISABLED VETERANS WHO LEASE OR RENT

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<http://www.house.mi.gov/hfa>

House Bill 4064 as introduced
Sponsor: Rep. Henry Yanez
Committee: Tax Policy
Complete to 3-24-15

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4064 would amend the General Property Tax Act to increase the homestead property tax exemption for disabled military veterans, spouses, and surviving spouses who lease or rent a homestead.

Starting with tax year 2015, veterans who receive compensation from the Veterans Administration or the Armed Services at the 100% disability rating for service-incurred disabilities would receive a refundable credit against their income tax liability equal to 20% of their annual rent, not to exceed the total property tax assessed on the homestead, regardless of the type of homestead leased or rented. [The credit would also be subject to the \$1,200 annual maximum.]

For those who qualify, this credit would replace the existing homestead property tax credit available to disabled veterans. The new credit would be roughly six times the existing credit for a qualified veteran paying the statewide average rent in a local unit that has the statewide average property tax rate (subject, as noted, to the \$1,200 maximum).

MCL 206.522

FISCAL IMPACT:

As written, the bill would reduce net individual income tax collections by an indeterminate amount. This would affect the General Fund, with no impact on local tax collecting units or the School Aid Fund.

An estimate of the fiscal impact of this bill would depend on three factors: the number of eligible veterans, their annual rent, and the tax assessed on the rental property. There is no data that specifically indicates the number of eligible veterans in Michigan, so this number has to be imputed from available information. The annual rent and property taxes for eligible individuals cannot be known in advance; therefore, average rent and property taxes were used in computing the fiscal impact estimate. Analysis of this limited information suggests that the impact of the bill could be \$4 million to \$7 million annually.

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