



**Senate Fiscal Agency**  
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## BILL ANALYSIS



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Senate Bill 960 (Substitute S-1 as reported)  
Sponsor: Senator Jack Brandenburg  
Committee: Finance

**CONTENT**

The bill would amend Section 7o of the General Property Tax Act to do the following:

- Define "charitable purpose" and "nonprofit charitable institution" for the purpose of a real or personal property tax exemption.
- Refer to the "charitable" purposes for which a nonprofit charitable institution or charitable trust was incorporated, established, or organized, where the Act does not include that term.
- State that the unavailability of one exemption under Section 7o would not preclude the availability of another exemption under Section 7o.
- Allow the assessor of the local tax collection unit in which the property was located or the Department of Treasury to require an exemption applicant or recipient to complete an application and to provide other documentation and information that was reasonably necessary for the assessor or the Department to make an eligibility determination.
- Provide that the exempt status of the property would continue until the basis for the exemption ceased to exist.
- Require the State Tax Commission to work with an organization representing nonprofit organizations in Michigan to provide educational materials and programs to assessors of local tax collecting units on the bill's amendments.

The bill would define "charitable purpose" as one or more of the following: the advancement of education; the advancement of religion; the promotion of health and wellness; the relief of poverty; the erection of public buildings or other public works; or the promotion of a governmental purpose or the alleviation of burdens or responsibilities that would otherwise be borne by the government.

"Nonprofit charitable institution" would mean an organization that is a nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and meets at least two of the following:

- Offers charitable services to a particular class of individuals, and does not condition the receipt of those services within that class based upon an individual's health, ability to pay, or other characteristics.
- Serves a charitable purpose or a qualified conservation organization purpose.
- Charges no more for its charitable services than is reasonably necessary to maintain the operation of the organization and its services and has a specific policy established to assure that its services are available to those in need of its charity who cannot pay or have a limited ability to pay for those services.
- Has an overall nature that promotes charity, regardless of the amount of money that the organization devotes to charitable activities on an annual basis.

MCL 211.7o

Legislative Analyst: Drew Krogulecki

## **FISCAL IMPACT**

The bill would reduce both State School Aid Fund revenue and local property tax revenue, and would increase School Aid Fund expenditures, by an unknown and potentially significant amount. For example, based on national data available for assets held by 501(c)(3) firms, and assumptions regarding Michigan's share of the total, the share of property not already exempt under current law, and the proportion of property that could qualify for the exemption under the bill, the bill could reduce State Education Tax revenue (which is credited to the School Aid Fund) by approximately \$5.9 million per year, and local property tax revenue by approximately \$27.6 million, beginning in FY 2016-17. Property tax revenue from local school operating mills would be reduced by approximately \$17.8 million, and School Aid Fund expenditures increased by the same amount in order to maintain per pupil funding allowances, beginning in FY 2017-18. However, the impact of the bill would depend on the number of taxpayers affected and the specific characteristics of any affected property.

Date Completed: 10-20-16

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.