

**EXEMPT VETERANS' CASKETS
FROM SALES AND USE TAXES**

House Bill 6014 (Substitute H-1)
Sponsor: Rep. Randy Richardville
House Committee: Tax Policy

Senate Bill 308 (Substitute H-1)
Sponsor: Sen. David Jaye
Senate Committee: Finance
House Committee: Tax Policy

First Analysis (12-6-00)

THE APPARENT PROBLEM:

The purchase of items for a funeral or burial are subject to the sales tax or to the use tax. It has been suggested that it would be appropriate for the state to exempt caskets and other burial containers purchased for certain veterans who served in the U.S. armed services in recognition of their contribution to our nation.

THE CONTENT OF THE BILLS:

Senate Bill 308 would amend the General Sales Tax Act and House Bill 6014 would amend the Use Tax Act to exempt the sale of a casket or any other outside burial container for the burial of a veteran who met all of the following qualifications:

- was a resident of the state at the time of entering the armed forces of the United States or was a resident of the state for at least five years before his or her death;
- served in the armed forces during a period of war or conflict under Public Act 190 of 1965 (which lists the beginning and ending dates of wars and conflicts for purposes of determining eligibility for veterans' benefits) or died while in service not as a result of his or her own misconduct; and
- was discharged from service under honorable conditions or died while in service not as a result of his or her own misconduct.

The family of the deceased veteran would have to submit verification of the qualifications listed above. The taxpayer (i.e., purchaser of products) would have to claim an exemption on a form prescribed by the Department of Treasury.

The bills would "hold harmless" the School Aid Fund. The state treasurer would be required to determine annually the amount of tax revenue lost to the School Aid Fund as a result of the bills and transfer that amount to the School Aid Fund from the General Fund.

MCL 205.94x

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would reduce sales/use tax revenue by about \$1.9 million in fiscal year 2000-2001. (HFA fiscal note dated 12-1-00)

ARGUMENTS:

For:

The bills would provide another means for the state to express its gratitude for the service of its veterans by exempting the families of veterans who die from having to pay the sales or use tax on the casket or other burial container used for burial. Honoring veterans in this way would provide families with both a recognition of the service their family member had rendered to his or her country and a small financial acknowledgment. While perhaps not of great monetary value for most people, the exemptions would be of symbolic value. Although the bill would apply to all veterans, its greatest immediate impact would be on the families of World War II veterans, who reportedly are dying at the rate of 1,000 per day, and Korean War veterans.

Against:

There are better ways to pay tribute to the contributions made by veterans than through this tax break. The administration of the exemptions proposed by this bill would be too complicated and too costly for the value of the benefit (a six percent price reduction). Using the appropriations process to provide direct relief would be a better approach. Because of the discriminatory criteria, the bills will inevitably put the Department of Treasury (or worse, local businesses) in the position of having to explain to some families why they do not qualify.

POSITIONS:

The Veterans of Foreign Wars of the U.S., Department of Michigan, has indicated support for the bills. (12-5-00)

The Department of Treasury has no position on the bills. (12-5-00)

Analyst: C. Couch

#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.