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BILL ANALYSIS

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Senate Bill 859 (Substitute S-1)
Sponsor: Senator Nancy Cassis
Committee: Finance

Date Completed: 11-2-05

**CONTENT**

**The bill would amend the General Property Tax Act to allow a totally and permanently disabled sole beneficiary of a trust to receive a homestead or qualified agricultural property exemption if the trust purchased or acquired the property as a principal residence for the beneficiary.**

Under the Act, a principal residence or qualified agricultural property is exempt from the 18 mills levied by a local school district for school operating purposes, if the owner claims an exemption. In this context, the term "owner" means any of the following:

-- A person who is a partial owner of property.
-- A person who owns property as a result of being a beneficiary of a will or trust or as a result of intestate succession (inheritance in the absence of a valid will).
-- A person who owns or is purchasing a dwelling on leased land.
-- A person holding a life lease in property previously sold or transferred to another.
-- A grantor who has placed the property in a revocable trust or a qualified personal residence trust.
-- A cooperative housing corporation.
-- A facility registered under the Living Care Disclosure Act.

Under the bill, "owner" also would include the sole present beneficiary of a trust if the trust purchased or acquired the property as a principal residence for the sole present beneficiary of the trust, and the sole present beneficiary of the trust were totally and permanently disabled.

"Totally and permanently disabled" would mean disability as defined in Section 216 of Title II of the Federal Social Security Act. (Under that section, "disability" means either blindness or an inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months.)

MCL 211.7dd Legislative Analyst: J.P. Finet

**FISCAL IMPACT**

The bill would increase School Aid Fund expenditures by an unknown and likely negligible amount, depending upon the number of taxpayers affected by the bill. Affected taxpayers would be exempt from local property tax mills levied by schools for operating purposes (usually 18 mills). The exemption would reduce locally generated school revenue, which would be offset by increased School Aid Fund expenditures in order to maintain guaranteed per-pupil funding levels.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin

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