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**BILL ANALYSIS**

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Senate Bill 1268 (Substitute S-2 as reported by the Committee of the Whole)

Sponsor: Senator Tom George

Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to revise the tax exemption for property owned by a Boy or Girl Scout or Camp Fire Girls organization, a 4-H club or foundation, or a Young Men's Christian Association or Young Women's Christian Association.

Currently, up to 400 acres of land in the State owned by such an organization is exempt from the property tax if at least 50% of its members are Michigan residents.

Under the bill, the exemption would be allowed only for an organization exempt under Section 501(c) of the Internal Revenue Code and property occupied solely for the purposes for which the organization was organized. After December 31, 2005, the 400-acre limit would be increased to 500 acres. If an organization reorganized, merged, affiliated, or otherwise consolidated with another such organization, however, the exemption would include the combined total number of acres that each individual organization would have been entitled to before the reorganization, merger, affiliation, or consolidation.

MCL 211.7q

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would increase School Aid Fund expenditures and reduce State and local revenue by an unknown amount, depending upon the acreage owned by organizations affected by the bill, the value of that property, and the mills applied to the property. Furthermore, by expanding the exemption, the bill could encourage affected organizations to increase their property holdings by an unknown amount. The exemption provided for under current law is per organization but involves property held anywhere in Michigan. Any reduction in local school district property tax revenue would be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

Existing property held by an affected organization currently would be treated as non-homestead property which, statewide, faces an average millage rate of 51 mills. Both the value of property per acre and the applicable mills can vary significantly. There are approximately 36.4 million acres of land in Michigan, and the total taxable value of real property is \$293.1 billion, for an average taxable value of slightly more than \$8,000 per acre. If the bill resulted in exempting 1,000 acres of land that matched these averages, it would reduce property taxes by approximately \$0.4 million.

The effect on individual local units would vary significantly depending on the local unit. Affected taxes within a large metropolitan area would likely comprise an insignificant portion of the local unit's revenue, while a large campground/natural area in a small rural township could represent a meaningful portion of the unit's tax base.

Date Completed: 5-31-06

Fiscal Analyst: David Zin

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