Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 6209 (Substitute H-4 as discharged)
Sponsor: Representative Jerry O. Kooiman
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to exempt from the collection of taxes under the Act real and personal property owned and occupied by a nonprofit corporation that met all of the following conditions:

-- The nonprofit corporation was exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.
-- The nonprofit corporation either: 1) was a skilled nursing facility or home for the aged licensed under the Public Health Code or an adult foster care facility licensed under the Adult Foster Care Facility Licensing Act; or 2) provided housing, rehabilitation services, diagnostic services, medical services, or therapeutic services to one or more disabled people.
-- The nonprofit corporation met either of the following: 1) Its real and personal property was being treated as exempt from property taxes on the bill's effective date; or 2) its real and personal property had been treated as exempt from property taxes at some point before the bill's effective date and there had been no transfer of ownership of that property during the period of time beginning the last day the property was treated as exempt until the bill's effective date.

If real or personal property owned and occupied by a nonprofit corporation were not eligible for an exemption under the bill, that nonprofit corporation would not be precluded from claiming an existing exemption for real or personal property owned and occupied by a nonprofit charitable institution while occupied by that charitable institution solely for the purposes for which it was incorporated.

MCL 211.7o Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would decrease both State and local property tax revenue and increase School Aid Fund expenditures by an unknown amount. The bill also would essentially prevent increases in property tax revenue resulting from correcting incorrectly granted property tax exemptions. The revenue loss could occur because one of the bill's provisions would allow an affected nonprofit organization that had ever been treated as exempt, even if that exemption had been inappropriately granted or the nature of the owner had changed to a nonexempt status, to recover that exemption as long as the property was still owned by the same entity that had once received the exemption. Prospectively, the bill would prevent future increases in revenue in cases where property moved from an exempt status to a taxable status, either due to the correction of an error in granting the exempt status or because of organizational changes. School Aid Fund expenditures would be affected by the need to maintain per-pupil funding guarantees.

Date Completed: 12-13-06 Fiscal Analyst: David Zin