

Legislative Analysis



REVISE PROPERTY TAX EXEMPTION FOR BOY SCOUT/GIRL SCOUTS, YMCA, ETC.

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House Bill 6437 (Substitute H-2)
Sponsor: Rep. Joan Bauer

House Bill 6438 (Substitute H-2)
Sponsor: Rep. Pam Byrnes
Committee: Tax Policy

Complete to 9-25-08

A SUMMARY OF HOUSE BILLS 6437 (H-2) AND 6438 (H-2) AS REPORTED FROM COMMITTEE 9-17-08

The General Property Tax Act currently exempts from taxation up to 400 acres of property owned by a Boy Scout, Girl Scout, or Campfire Girls organization, a 4-H club or foundation, or a YMCA or YWCA, if at least half of the members of the organization are state residents. (The organization can petition the county board of commissioners to waive the residency requirement if the property is used solely for the purposes for which the organization was established.)

House Bill 6437 (H-2) would amend the General Property Tax Act (MCL 211.7q) to increase the limit on the size of the property exempted from taxation from 400 acres to 640 acres. However, the 640 acre limit could be exceeded in instances where one organization listed above reorganizes, merges, affiliates, or otherwise consolidates with another organization listed above. The total limit would be 640 acres multiplied by the number of organizations merging. The increased acreage limit would apply after December 30, 2008.

House Bill 6438 (H-2) would amend the General Property Tax Act (MCL 211.27a) to exempt from the "pop-up" the transfer of real property or other ownership interests owned by a Boy Scout, Girl Scout, or Campfire Girls organization, or YMCA or YWCA. To be exempt, the transfer of property would have to result from the merger or consolidation of the organizations listed, and at least one-half of the members of the organizations would have to be state residents. Generally speaking, the increase in the assessment of a parcel of real property cannot increase from one year to the next by more than the rate of inflation or five percent, whichever is less. However, when property is sold or transferred, its valuation returns (or "pops up") to 50 percent of the market value. At that point, the assessment cap once again begins to apply, this time to the readjusted assessment. The General Property Tax Act contains a definition of what constitutes a "transfer" for the purpose of the "pop-up" and contains a list of transactions that are not considered transfers. The bill would, as noted earlier, exempt transfers of real property or other ownership interests owned by a Boy Scout, Girl Scout, or Campfire Girls organization, or YMCA or YWCA.

FISCAL IMPACT:

The bills would reduce property tax revenue by an unknown amount.

By exempting up to an additional 240 acres, House Bill 6437 would reduce collections of local property taxes as well as the 6-mill State Education Tax.

In addition, House Bill 6438 would narrow the definition as to what constitutes a change of ownership, thereby preventing certain sales of real property from taking on new (presumably higher) taxable values. This would also serve to reduce local property tax and State Education Tax revenue.

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■ 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.