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**BILL ANALYSIS**

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House Bill 6438 (Substitute H-2 as passed by the House)

Sponsor: Representative Pam Byrnes

House Committee: Tax Policy

Senate Committee: Finance

Date Completed: 12-3-08

**CONTENT**

The bill would amend the General Property Tax Act to exempt the transfer of real property or other ownership interests resulting from a consolidation or merger of a domestic nonprofit corporation that is Boy or Girl Scout or Camp Fire Girls organization, a Young Men's Christian Association, or a Young Women's Christian Association, from an increase in taxable value that occurs upon the transfer of ownership of property, if at least 50% of the members of that organization or association were residents of this State.

Under the State Constitution, the taxable value of a parcel of property (adjusted for additions and losses) may not increase from one year to the next by more than 5% or the increase in the consumer price index, whichever is lower, until there is a transfer of ownership. At that time, the assessment is "uncapped" and the parcel is taxed upon its State equalized valuation (50% of its true cash value). (In other words, the taxable value "pops up" upon a transfer of ownership.) These provisions are reflected in the General Property Tax Act, which provides that, upon a transfer of ownership of property, the property's taxable value for the calendar year following the year of the transfer is the property's State equalized valuation for that year.

The Act defines "transfer of ownership" as the conveyance of title to or a present interest in property, including the beneficial use of the property, the value of which is substantially equal to the value of the fee interest. A transfer of ownership of property includes, but is not limited to, various conveyances and transfers listed on the Act. The Act also describes transfers that are not included in the definition.

Under the bill, transfer of ownership would not include a transfer of real property or other ownership interest as described above.

MCL 211.27a

Legislative Analyst: Craig Laurie

**FISCAL IMPACT**

This bill would eliminate any potential "pop up" in property taxes when property owned by a Boy or Girl Scout council, Camp Fire Girls' organization, YMCA, or YWCA changed ownership as part of a consolidation or merger with another of these types of organizations. Therefore, this potential reduction in property tax revenue would affect local governments and school districts in which the property is located. In addition, the State School Aid Fund would realize a reduction in State education tax revenue from what it otherwise would be

and State aid payments would increase to the affected local school districts. The amount by which property taxes would decline from the level they would otherwise be cannot be identified at this time because it is not known when or where such consolidations or mergers among these types of organizations will occur; however, it is likely that the overall impact on property tax revenue would be relatively small.

Fiscal Analyst: Jay Wortley