

Legislative Analysis



PROPERTY TAX EXEMPTION FOR RETAIL STORES OF NONPROFIT HOUSING ORGANIZATION

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5786 (Substitute H-1)

Sponsor: Rep. Bill Caul

Committee: Tax Policy

Complete to 4-26-10

A SUMMARY OF HOUSE BILL 5786 AS REPORTED FROM COMMITTEE

The bill would provide a tax exemption for real and personal property owned by a charitable nonprofit housing organization (such as Habitat for Humanity). Specifically, the bill would apply to property used for a retail store used by the nonprofit organization exclusively to sell donated items suitable for residential housing purposes where the proceeds are used for the purposes of the charitable organization. The bill applies beginning in 2010.

House Bill 5786 would amend the General Property Tax Act (MCL 211.7mm). The term "charitable nonprofit housing organization" refers in the bill to an organization operated not for profit and exempt from federal taxes under either Section 501(c)(3) of the Internal Revenue Code that has as its primary purpose *the construction or renovation of residential housing for conveyance to a low-income person*.

Under the bill, a "low-income person" would be a person with a family income of not more than 60 percent of the statewide median gross income who is eligible to participate in the charitable nonprofit housing organization's program based on criteria established by the organization.

FISCAL IMPACT:

As written, the bill would reduce state and local property tax revenue by an unknown amount. The state would forego the 6-mill state education tax that is constitutionally earmarked to the School Aid Fund, and local units of government would primarily lose general operating revenue.

BACKGROUND INFORMATION:

The bill is aimed at providing a property tax exemption for the so-called ReStores operated by Habitat for Humanity. The organization says this about these operations on its website:

Habitat ReStores are outlets that accept donated goods for resale. While every ReStore is a little different, most focus on home improvement goods—furniture, home accessories, building materials and appliances. These donated goods are sold to the general public at

a fraction of the retail price to help local affiliates fund the construction of Habitat homes within their communities.

Materials sold by Habitat ReStores are usually donated by local retailers, contractors and individuals in the community. ReStores provide an environmentally and socially responsible way to keep good, reusable materials out of the waste stream and simultaneously provide funding for all of Habitat's community improvement work.

According to information provided to the House Committee on Tax Policy, these stores now are treated differently from one local jurisdiction to another; sometimes exempted, sometimes subject to property tax. The substitute bill applies narrowly to these kinds of stores and provides them a clear exemption from property taxes. It only applies when the organization owns the property that houses the ReStore.

POSITIONS:

Representatives of Habitat for Humanity of Michigan, Habitat of Humanity of Isabella County, and Hometown Housing Partnership, Inc. (East Lansing) indicated support for the bill to the House Committee on Tax Policy on 4-14-10.

The following organizations supported the bill on 4-21-10: the Michigan Nonprofit Association; the Michigan Association of Homebuilders; and the Michigan Association of Realtors.

The Department of Treasury is neutral on the substitute version of the bill. (4-21-10)

The Michigan Assessors Association indicated opposition on 4-14-10.

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ 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.