

Legislative Analysis



PROPERTY TAX EXEMPTION FOR VETERANS ORGANIZATION

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House Bill 5457 (Substitute H-1)

Sponsor: Rep. Kurt Heise

Committee: Tax Policy

Complete to 5-21-12

A SUMMARY OF HOUSE BILL 5457 AS REPORTED FROM COMMITTEE

The bill would amend Section 7p of the General Property Tax Act, which currently provides a limited property tax exemption for real and personal property of veterans organizations. The bill provides a more expansive tax exemption for real estate and personal property associated with a memorial home, post, or primary meeting place for a veterans association, organization, or institution owned by the veterans group and used for the purposes for which the group was established.

However, the bill specifies that non-restricted buildings or portions of buildings are not to be exempt if income received by the veterans group from rentals and from the sale of food, beverages, and other items in the buildings exceeds \$100,000 in the year in which the exemption is claimed.

Section 7p act currently exempts property of veterans organizations, as follows:

Real estate or personal property owned and occupied as memorial homes or posts is exempt from taxation under this act. As used in this section, memorial homes includes real estate and buildings owned and occupied solely by any veterans association, organization, or institution of the armed forces of the United States which is incorporated under the laws of this state and used solely for the purposes for which they were incorporated, but does not include buildings or portions of buildings which are not restricted to members and guests and are used for commercial operations permitting the patronage of the general public, including but not limited to dancehalls, bars with class C liquor licenses, bowling alleys, pool or billiard rooms, television rooms, and game rooms. Incidental or casual rental or leasing for nonveteran purposes is no bar to the exemption. It is the legislative intent that the making available of the exempt facilities for public assemblage or social affairs shall not be adequate cause to deny this exemption in whole or in part. (Underlining added.) The provision was added to the General Property Tax Act by Public Act 142 of 1980.

House Bill 5457 would rewrite Section 7p, and would allow non-restricted buildings and portions of building used for commercial operations to be fully exempt, subject to an income limitation. The bill states that "there is a rebuttable presumption" that buildings or portions of buildings not restricted to members and guests are exempt, including commercial operations such as dancehalls, bars, bowling alleys, billiard rooms, television

rooms, and game rooms. Currently, these operations are not part of the tax exemption. The exemption would apply to real property and personal property.

As noted earlier, the exemption would not apply if the income received from rentals and sales of food, beverages, and other items exceeds \$100,000 in the year the exemption is claimed.

MCL 211.7p

BACKGROUND AND DISCUSSION:

The proponents of this bill argue that the current exemption is confusing and inconsistently administered. Further, they say that the property taxes veterans groups pay take away from the revenue available for veterans-related programs, which address the financial, personal, and emotional problems of veterans. Critics say that the bill contributes to a steady erosion of local property tax revenues; it opens the door to a continuous parade of property tax exemptions or expansions of exemptions. They say the current exemption is no more difficult to administer than others.

FISCAL IMPACT:

The resulting revenue loss to local governments, local education, and the School Aid Fund cannot be determined because the taxable values and corresponding millage rates are not known. However, the potential exists for an individual local government to lose a large amount of revenue if the property in question represents a significant portion of that local unit's overall taxable value.

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