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BILL ANALYSIS

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Senate Bill 6 (Substitute S-1 as reported)
Sponsor: Senator Dave Hildenbrand
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act do the following:

-- Refer to residential or agricultural real property in the property tax exemption for the homestead of a disabled veteran.
-- Exempt residential or agricultural real property owned and used as a homestead by the unremarried surviving spouse of a deceased Michigan veteran who died from service-connected causes while on active duty.
-- Define the terms "homestead" and "own".
-- Revise procedures for granting the exemption, and require the cancellation of taxes to be prorated for a year in which the eligible individual sold, purchased, inherited, or acquired by gift the homestead for which the exemption was claimed.
-- Specify that the exemption would apply only to taxes collected under the Act, and not to any special assessments unless the act providing for the assessment provided otherwise.

The Act allows an exemption from property taxes for property owned and used as a homestead by a disabled veteran who was honorably discharged from the Armed Forces of the United States. The bill would refer to residential real property or agricultural real property owned and used as a homestead by a disabled veteran.

Currently, if an eligible disabled veteran dies before or after the exemption is granted, the exemption remains available to his or her unremarried surviving spouse. The bill also would provide a tax exemption for residential real property or agricultural real property owned and used as a homestead by the unremarried surviving spouse of a deceased Michigan veteran who died from service-connected causes while on active duty. "Deceased Michigan veteran" would mean an individual who, immediately before death, served in the Armed Forces of the United States and was a legal resident of Michigan.

The bill would define "homestead" as the one place that is owned and occupied by a legal resident of the State as his or her true, fixed, and permanent home to which, whenever absent, he or she intends to return and that will continue as a primary residence until another primary residence is established. The term would include the owner's dwelling, all residential real or agricultural real property that is adjoining or contiguous to the dwelling and subject to ad valorem taxes, and all buildings on that property subject to ad valorem taxes. Property previously occupied by an individual who currently resides in a nursing home or assisted living facility would remain that individual's homestead as long as he or she manifested an intent to return by satisfying the following conditions:

-- He or she continued to own the property.
-- He or she had not established a new homestead.
-- He or she maintained or provided for the maintenance of the property.
-- The property was not occupied, leased, or used for any business or commercial purpose.

"Own" would mean any of the following:

-- Sole ownership by a disabled veteran.
-- Joint ownership or co-ownership by a disabled veteran and one or more of the following individuals: his or her spouse, including as tenants by the entirety; or his or her son, daughter, adopted son, or adopted daughter.
-- Sole ownership by an unremarried surviving spouse of a deceased disabled veteran or a deceased Michigan veteran who died from service-connected causes while on active duty in the Armed Forces of the United States.

MCL 211.7b Legislative Analyst: Ryan M. Bergan

FISCAL IMPACT

The bill would reduce both School Aid Fund and local unit revenue by an unknown amount that would depend on the number of properties affected as well as the specific characteristics of affected property.

The bill would expand the number of individuals able to claim a property tax exemption as well as the property that would be included in an exemption. The expanded exemption would reduce School Aid Fund revenue by reducing the revenue received under the State Education Tax (SET). The bill also would reduce local unit revenue by reducing local property tax collections.

The Department of Treasury estimates that the bill would reduce property taxes by approximately $6 million per year. Based on that estimate, the bill would reduce SET revenue by approximately $1.0 million per year, with the remaining $5.0 million reduction lowering local unit revenue.

Date Completed: 5-20-15 Fiscal Analyst: David Zin