



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 6 (substitute S-1)  
Sponsor: Senator Dave Hildenbrand  
Committee: Finance

Date Completed: 5-19-15

### **CONTENT**

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

- **Specify that the homestead property tax exemption for a disabled veteran or his or her unremarried surviving spouse would apply to residential and agricultural real property.**
- **Extend the exemption to the unremarried surviving spouse of a Michigan veteran who died from service-connected causes while on active duty.**
- **Revise provisions regarding the cancellation of property taxes for an exempt individual.**

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. If an eligible disabled veteran dies either before or after the exemption is granted, the exemption remains available to and continues for his or her unremarried surviving spouse. ("Disabled veteran" means a person who is a legal Michigan resident and who meets one of the following criteria:

- Has been determined by the U.S. Department of Veterans Affairs to be permanently and totally disabled as a result of military service and entitled to veterans' benefits at the 100% rate.
- Has a certificate from the U.S. Veterans Administration certifying that he or she is receiving or has received pecuniary assistance due to disability for specially adapted housing.
- Has been rated by the U.S. Department of Veterans Affairs as individually unemployable.)

The bill would refer specifically to residential or agricultural real property for purposes of the exemption.

The bill would define "homestead" as the one place 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 intended to return and that would continue as a primary residence until another primary residence was established. It would include the owner's dwelling, all residential real or agricultural real property that was 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 resided 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.

Additionally, the bill would extend eligibility for the exemption to the unremarried surviving spouse of a deceased Michigan veteran who died from service-connected causes while on active duty in the Armed Forces of the United States. Under the bill, "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. "Unremarried surviving spouse" would mean an individual who was married to a disabled veteran or a deceased Michigan veteran when that veteran died and who, since the time of the veteran's death, has never been remarried.

Currently, to obtain the exemption, the property owner or his or her legal designee must file an affidavit with the supervisor or other assessing officer during the period beginning with the tax day for each year and ending upon final adjournment of the local board of review. Under the bill, the affidavit would have to be filed with the local tax collecting unit in which the property was located between January 1 and December 1 of the tax year for which the exemption was claimed. The unremarried surviving spouse of a deceased disabled veteran must indicate that fact on the affidavit. The bill would include a similar requirement for the unremarried surviving spouse of a deceased Michigan veteran.

The Act requires the county treasurer to cancel taxes subject to collection for any year in which an eligible disabled veteran has acquired title to exempt real property. The bill would delete this provision. Instead, after the affidavit was filed, the board of review would have to determine whether the requirements for the exemption had been met. If so, the board would have to grant the exemption and the treasurer for each local tax collecting unit would have to cancel for the current tax year any property taxes subject to collection that were paid or otherwise were or would have become due and payable from the eligible individual. In addition, the bill provides that if, during the calendar year, the individual sold, purchased, inherited, or acquired by gift the homestead for which the exemption was claimed, the cancellation of taxes would be in proportion to the number of months during the calendar year that the individual owned and occupied the homestead. The bill specifies 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.

Under the bill, "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 both 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.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.