

Legislative Analysis



LOCAL REIMBURSEMENT FOR VETERAN PROPERTY TAX EXEMPTIONS

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

House Bill 4624 as introduced
Sponsor: Rep. Beau Matthew LaFave

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4626 as introduced
Sponsor: Rep. Kevin Coleman

Committee: Military, Veterans and Homeland Security
Complete to 5-4-21

SUMMARY:

House Bill 4624 would amend the General Property Tax Act to provide reimbursement to local taxing units for revenue lost as a result of eligible disabled veteran property tax exemptions. The bill would also extend the effectiveness of the exemptions from one year to five years. House Bill 4626 would make complementary changes regarding payments in lieu of taxes in the Natural Resources and Environmental Protection Act (NREPA).

House Bill 4624

Currently under the General Property Tax Act, a disabled veteran who was discharged from the armed forces of the United States under honorable conditions is exempt from the collection of property taxes on real property used as a homestead. The exemption is obtained by annually filing an affidavit with the supervisor or assessing officer. When a property tax exemption for a *disabled veteran* is granted, each local taxing unit bears the loss of its portion of the taxes upon which an exemption has been granted.

The bill would provide that both of the following apply if an exemption is granted or renewed:

- Each local taxing unit bears the loss of its portion of the taxes. However, for taxes levied after December 31, 2021, each local taxing unit is eligible for reimbursement of its loss pursuant to section 2154 of NREPA (which would be amended by HB 4626).
- The exemption remains in effect until the earlier of the following:
 - The expiration of five consecutive tax years. If the property remains eligible for the exemption after five years, the owner or his or her legal designee may apply for a renewal of the exemption.
 - The expiration of the tax year in which the property ceases to be eligible for the exemption. The owner of property to which this provision applies must rescind the exemption in a form and manner prescribed by the State Tax Commission within 30 days after the property ceases to be eligible.

House Bill 4624 is tie-barred to HB 4626, which means it could not take effect unless HB 4626 were also enacted.

MCL 211.7b

House Bill 4626

Under NREPA, the Department of Treasury annually pays to each county where tax-reverted, recreation, forest, or other lands under the control and supervision of the Department of Natural Resources (DNR) are located a payment in lieu of property tax assessments in an amount determined under the act.

The act prescribes a timeline for local assessing units to forward to counties an itemized statement of the assessment of the relevant property, for the counties to forward these statements to the DNR, and for the DNR to authorize the Department of Treasury to pay the amount of the assessment.

Under the bill, this process would also apply to payments to local taxing units for property for which a disabled veteran exemption has been claimed under the General Property Tax Act.

MCL 324.2154

FISCAL IMPACT:

The bills would provide a mechanism through which local tax collecting units would be reimbursed for lost property tax revenue resulting from the exemption for 100% disabled veterans. Locals would be reimbursed via payments in lieu of taxes (PILT) as administered by the DNR and paid through appropriations in the Department of Treasury. The appropriation for PILT payments would need to increase by \$40 to \$50 million to provide full reimbursement to all tax-levying entities.

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