

Legislative Analysis



CLARIFY EXEMPTION FOR LAND OF CHARITY HELD FOR CONSERVATION & RECREATION PURPOSES

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

House Bill 6036 as introduced
Sponsor: Rep. Lorence Wenke
Committee: Tax Policy
First Analysis (7-1-04)

BRIEF SUMMARY: The bill would specifically exempt real property of charitable organizations that is held for conservation purposes from property taxes.

FISCAL IMPACT: As written, the bill should have no state or local fiscal impact.

THE APPARENT PROBLEM:

The Michigan Nature Association was founded in 1951 as a bird-watching group intent on protecting Michigan's wildlife. Since the 1970's, the group has actively purchased, maintained, and protected nature sanctuaries and preserves and natural areas within the state. Today, the MNA owns approximately 800,000 acres of nature sanctuaries and preserves, spread among 160 parcels of land in 53 counties in the state. All of this land is exempt from property taxes. Nevertheless, the local units have often denied the tax exemptions, with the MNA prevailing on appeals to the State Tax Commission, Michigan Tax Tribunal, and appellate courts. In one of the more recent cases, the association fought with Saugatuck Township over 72 acres of land the association owned in the township. In a September 2003 decision, the tax tribunal once again ruled that the property was exempt from taxation. Given that the association has had to repeatedly defend its tax exempt status (prevailing every time), legislation clarifying that certain land held by charitable organizations for conservation purposes is exempt from property taxes has been introduced.

THE CONTENT OF THE BILL:

The bill would amend the General Property Tax Act to specify that real property of a nonprofit charitable institution or charitable trust that is held for conservation purposes and is open to the public generally for recreational purposes is exempt from taxation under the act.

The act current contains a number of provisions exempting real and personal property of nonprofit charitable institutions and trusts from taxation.

MCL 211.7o

ARGUMENTS:

For:

This bill is generally considered to be a clarification in state tax law rather than a significant change in policy. For the past several decades, the Michigan Nature Association has successfully claimed a property tax exemption for the sanctuaries and preserves it acquires. Despite consistent support from the State Tax Commission, Michigan Tax Tribunal, and appellate courts, many local taxing units have denied the property tax exemption. In every case, the organization has prevailed. This bill should, hopefully, clarify once and for all that such land is exempt from taxation.

Response:

The bill, by stating that the property must be open to the public generally for recreational use, may open the exemption up to other, undeserving organizations. Language should be added to clarify and limit allowable uses for the property.

POSITIONS:

The Michigan Nature Association supports the bill. (6-30-04)

The Department of Treasury is neutral on the bill. (6-30-04)

The Michigan Association of Counties opposes the bill. (6-30-04)

Legislative Analyst: Mark Wolf
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.