

# Legislative Analysis

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## MODIFY PROPERTY TAX EXEMPTION CRITERIA FOR CERTAIN NONPROFIT ORGANIZATIONS

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### House Bill 5616

Sponsor: Rep. Ken Yonker

Committee: Tax Policy

Complete to 9-16-14

### A SUMMARY OF HOUSE BILL 5616 AS INTRODUCED 6-4-14

The bill would amend the General Property Tax Act to revise the provisions under which a tax exemption is available for property owned and occupied by nonprofits that are skilled nursing facilities, homes for the aged, adult foster care facilities, or that provide housing and other services for disabled persons.<sup>1</sup>

Specifically, House Bill 5616 would amend language in Section 7o that currently makes these entities eligible for property tax exemptions only if they meet all three criteria listed under paragraph 8 of the section. The bill would remove the third criteria, which requires that the real and personal property of the nonprofit corporation was either (1) treated as exempt as of the effective date of Public Act 681 of 2006 (January 10, 2007), or (2) treated as exempt prior to December 31, 2004, and there was no transfer of ownership between then and the effective date of PA 681. These provisions were added to the General Property Tax Act by PA 681.

This third criteria appears to prevent new nonprofits and new facilities of existing nonprofits that were established after January 10, 2007, from receiving a property tax exemption. By removing the language, all of these organizations will be eligible for the exemption, regardless of when they were established or when they were first granted an exemption under this section.

(Note: the act also currently says that a nonprofit that does not meet these criteria are not precluded from applying for an exemption under 7o(1), which exempts real and personal property owned and occupied by a *nonprofit charitable institution* while occupied solely for the purposes for which the institution was incorporated.)

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<sup>1</sup> "Skilled nursing facility" means that term as defined in Section 20109 of the Public Health Code, MCL 333.20109. "Home for the aged" means that term as defined in Section 20106 of the Public Health Code, MCL 333.20106. "Adult foster care facility" means that term as defined in Section 3 of the Adult Foster Care Facility Licensing Act, , MCL 400.703. "Disabled person" means that term as defined in Section 7d of the General Property Tax Act, MCL 211.7d. A nonprofit corporation, for the purpose of this bill, is one that is exempt from taxation under Section 501(c)(3) of the federal Internal Revenue Code.

## **FISCAL IMPACT:**

As written, the bill would reduce state and local property tax revenues by an unknown amount. Local units of government could see reductions in property tax revenue relative to current law, and decreased State Education Tax collections would reduce School Aid Fund (SAF) revenues. Because the magnitudes of these reductions depend on the number of properties affected, their taxable values, and the corresponding millage rates (none of which can be known in advance), an exact impact cannot be determined. In addition to the revenue reductions, the bill would increase state School Aid budget costs because the foundation allowance formula generally provides for an automatic increase in state funds to offset the reduced local school operating revenues collected under the 18-mill local nonhomestead millage.

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■ 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.