

RETROACTIVE PETITION FOR DISABLED VETERAN PROPERTY TAX EXEMPTION

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House Bill 4516

Sponsor: Rep. Holly Hughes

Committee: Tax Policy

Complete to 6-2-15

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

SUMMARY:

The bill would allow certain disabled veterans the ability to retroactively receive property tax exemptions for years 2013 and 2014 that they did not receive due to a failure to file the required affidavits in a timely fashion.

House Bill 4516 would alter Section 7b of the General Property Tax Act, otherwise known as the Dannie Lee Barnes Disabled Veteran Property Tax Relief Act, PA 161 of 2013. The act provides an exemption against all property taxes assessed on real property owned and used as a homestead by veterans, who meet any of the following criteria:

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

The surviving spouse of a disabled veteran who had qualified, or would have qualified, may also claim the exemption against all property taxes.

House Bill 4516 would allow a qualified veteran, or a legal designee, to file for the exemption if he or she missed the window to file the required affidavit with the local tax assessing officer during tax years 2013 or 2014, or both. The bill would require that these forms be filed between the effective date of the legislation and the final adjournment of the local board of review in 2015.

Additionally, any disabled veteran who receives this exemption, but also received a homestead property tax credit (HPTC) in tax years 2013 and/or 2014, will have to file an amended individual income tax return and reimburse the state in the amount of the credit. The HPTC is calculated in part by the property taxes paid by the filer in that tax year.

Under House Bill 4516, once a qualified veteran receives a refund for property taxes paid in 2013 and/or 2014, they will need to file an amended return as they no longer paid any property taxes in those years and therefore do not qualify for the credit.

FISCAL IMPACT:

As written, the bill would have a negative impact on state and local revenues, of indeterminate size. Local units will have to repay property tax revenue collected on these exempt properties in 2013 and 2014. For small local units with a disproportionate number of eligible veterans, this could create cash flow issues. State revenues will decline due to the repayment of State Education Tax (SET) assessed on these properties in those years.

The number of veterans who missed these filing deadlines, the taxable value of their principal residences, and the local millage rates are all unknown; therefore, an estimate of the revenue loss cannot be made in advance. Some potential losses may be mitigated by the fact that the State Tax Commission allowed qualified veterans to receive the exemption for tax year 2013, as long as they filed their affidavit before the June 2014 meeting of the local board of review, rather than the December 2013 meeting as required in statute. This fact further complicates an independent analysis.

The Department of Treasury estimates that the disabled veterans' exemption for all claimants will create \$20 million in tax expenditures per year for local units and SET combined. It can be reasonably assumed that the total cost of this bill will not exceed the annual cost of the credit itself.

House Bill 4516 may also result in an increase in individual income tax revenues through any reimbursed homestead property tax credits. Data is not available to estimate this increase in advance.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.