

# Legislative Analysis



## DISABLED VETERANS' PROPERTY TAX EXEMPTION

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

**Senate Bill 176 (S-3) as reported and amended**  
**Sponsor: Sen. Sylvia Santana**

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

**Senate Bill 330 (S-1) as reported and amended**  
**Sponsor: Sen. Mary Cavanagh**

**Senate Bill 364 (S-1) as reported from House committee**  
**Sponsor: Sen. John N. Damoose**

**House Committee: Military, Veterans and Homeland Security**  
**Senate Committee: Finance, Insurance, and Consumer Protection**  
**Complete to 9-28-23**

*(Enacted as Public Acts 150, 151, and 152 of 2023)*

### SUMMARY:

**Senate Bill 176** would amend the General Property Tax Act to provide that a disabled veteran or their surviving spouse only needs to file an application for the Disabled Veterans Property Tax Exemption once, rather than refile every year.

Currently, the act provides for the exemption of real property owned and used as a homestead by a disabled veteran or their surviving spouse (if the veteran was eligible for the exemption prior to their death) as long as the spouse does not remarry. In order to obtain this exemption, the act requires the veteran or spouse (or their legal designee) to annually file an affidavit with the local assessing officer between the beginning of the tax year and the final adjournment of the local board of review.

The bill would provide that, for an exemption granted for taxes levied on or after January 1, 2025, the exemption remains in effect until it is rescinded by the recipient of the exemption or denied by the local assessor. In addition, the bill would replace the required affidavit with an application in a form and manner established by the State Tax Commission (STC).

The bill would also specify that the exemption remains available to property owned and used as a homestead by a surviving spouse after the disabled veteran's death.

Finally, the bill would provide that the application could be submitted any time after January 1 and before December 31 of each calendar year.

#### Proration of exemption

The bill would provide that an exemption granted to a disabled veteran or their surviving spouse applies to all property taxes during the current tax year that have been paid by the qualifying individual and all taxes that would have been owed if the property were not exempt.

If the individual did not *own* and use the property as a homestead for the entire tax year, the exemption would be prorated using one of the following methods:

- Using the closing or other purchase documents to calculate the amount of taxes to be exempted. No refund would be provided to the seller by the exempt individual.

- By calculating the amount of taxes to be exempted by dividing the total property taxes levied in a year by 365 and multiplying that number by the number of days the exempt individual would occupy and own the property as a homestead.
- Using a proration that takes the effective date of any removal of the exemption into account, by dividing the total property taxes levied in a year by 365 and multiplying that number by the number of days the individual used and owned the property as a homestead while qualified for the exemption.

*Own* or *owned* would mean one of the following:

- For a disabled veteran, that legal title to the property is held solely by that individual or jointly by that individual and that individual's spouse.
- For a surviving spouse, that legal title to the property is held solely by that individual.

MCL 211.7b

**Senate Bill 330** would establish procedures for rescission of a disabled veterans' property tax exemption and for local assessors to audit and deny claims for an exemption.

Under the bill, an individual would be required to file a form rescinding their exemption within 45 days of either of the following:

- The individual ceases to use and own as a homestead the property for which the exemption was granted.
- The individual no longer meets the requirements to receive the exemption.

The bill would also require local assessing units to implement an audit program, in a form and manner prescribed by the STC, that includes, at a minimum, the audit of all information filed in an application for the disabled veterans' property tax exemption. An audit would occur not more often than once every three years, unless there is a reasonable belief that the property is ineligible for the exemption. An assessor could deny a new or existing claim for an exemption after an audit. Existing claims could be denied for the current year and up to three immediately preceding calendar years. If an audit determined a property to be ineligible for exemption, the assessor would notify the individual in a form and manner prescribed by the STC of the denial, of the reason for the denial, and that the decision may be appealed in the residential and small claims division of the Michigan Tax Tribunal within 35 days of the notice.

Upon denial of a claim, the tax roll would be amended to reflect the removal of the exemption and a corrected or supplemental tax bill would be issued within 30 days with an interest rate of 1% per month or fraction of a month computed from the date the taxes were last payable without interest. Interest on any tax on a corrected or supplemental tax bill would begin to accrue at the same rate 60 days after the bill was issued. Taxes on these bills would be returned as delinquent on March 1 in the year immediately succeeding year.

Proposed MCL 211.7c

**Senate Bill 364** would include the denial of a disabled veterans property tax exemption for the surviving spouse of a disabled veteran by a board of review during the 2023 tax year among the qualified errors<sup>1</sup> that can be corrected upon appeal to a board of review.

Currently, the act provides that the following issues are qualified errors that are “beyond the control” of the disabled veteran or their spouse:

- An error made by the local tax collecting unit in the processing of a timely filed exemption affidavit.
- A delay in the determination by the United States Department of Veterans Affairs that a veteran is permanently and totally disabled as a result of military service and entitled to veterans’ benefits at the 100% rate.

MCL 211.53b

Senate Bills 176 and 330 are tie-barred and would not take effect unless both are enacted. Senate Bill 364 would not take effect unless Senate Bill 176 is also enacted.

#### **FISCAL IMPACT:**

As written, the bills would potentially affect both state and local property tax revenue, although the amounts would likely be small. To the extent that audits reveal exemption claims that were awarded in error, state and local revenue might increase. To the extent that the board of review allows claims that were previously denied, state and local revenue would fall. However, as previously noted, any net impact would be expected to be minimal.

#### **POSITIONS:**

Representatives of the following entities testified in support of the bills (9-12-23):

- Department of Treasury
- VetLife
- American Legion

The following entities indicated support for the bills (9-12-23):

- Department of Military and Veterans Affairs
- Michigan Commanders Group
- Michigan Assessors Association

Legislative Analyst: Alex Stegbauer  
Fiscal Analysts: Ben Gielczyk  
Jim Stansell

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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.

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<sup>1</sup> <https://www.michigan.gov/treasury/-/media/Project/Websites/treasury/STC/2022/Bulletin-14-of-2022---Qualified-Errors.pdf>