Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 176 (Substitute S-3 as reported)
Senate Bill 330 (Substitute S-1 as reported)
Senate Bill 364 (Substitute S-1 as reported)
Sponsor: Senator Sylvia Santana (S.B. 176)
Senator Mary Cavanaugh (S.B. 330)
Senator John N. Damoose (S.B. 364)
Committee: Finance, Insurance, and Consumer Protection

## CONTENT

Senate Bill 176 (S-3) would amend the General Property Tax Act to do the following:

-- Specify that a property tax exemption on real property used and owned as a homestead by a disabled veteran's surviving spouse would apply to any property used and owned as a homestead by the surviving spouse, including property acquired after the disabled veteran's death.
-- Specify that an exemption granted on real property used and owned as a homestead by a disabled veteran or the veteran's surviving spouse on or after January 1, 2025, would remain in effect without subsequent reapplication until rescinded as described in Senate Bill 330 (S-1).
-- Prescribe the method a local treasurer would have to take to prorate the tax exemption for a qualified individual described above who did not use and own the property as a homestead for the entire tax year.

Senate Bill 330 (S-1) would amend the General Property Tax Act to do the following:

-- Require a property tax exemption on real property used and owned as a homestead by a disabled veteran or the veteran's surviving spouse to remain in effect until it was rescinded by the individual granted the exemption or denied by the assessor.
-- Require a local assessing unit to implement an audit program that included the audit of all information filed pertaining to an exemption described above and allow an assessor to deny a new claim, or an existing claim, following an audit.
-- Require a local or county treasurer to remove an exemption from the tax rolls if rescinded or denied and issue a corrected or supplemental (new) tax bill.
-- Prescribe a 1.0% interest on any tax set forth in a new tax bill.

Senate Bill 364 (S-1) would amend the General Property Tax Act to include, for tax year 2023 only, a denial by the board of review of an exemption described above as a "qualified error" which could be corrected upon appeal to a board of review.

MCL 211.7b (S.B. 176)
Proposed MCL 211.7c (S.B. 330)
MCL 211.53b (S.B. 364)

## BRIEF RATIONALE

Currently, a disabled veteran's surviving spouse may claim the disabled veteran property tax exemption even after the veteran's death if the veteran would have been otherwise eligible. On May 19, 2022, the Michigan Court of Appeals issued a decision in *Lockhart v. Ontonagon*

*Township,* Case No. 356883, relating to the eligibility of a surviving spouse of a disabled veteran. The Court determined that the surviving spouse could not claim the exemption because the deed to the home was not in the name of the disabled veteran prior to his passing. It has been suggested that the exemption apply to any property used and owned as a homestead by the surviving spouse.

Legislative Analyst: Eleni Lionas

**FISCAL IMPACT**

Senate Bill 176 (S-3) would make several changes to the exemption process. First, the bill would change the authority for approving and denying exceptions from the interpretation of current law. The Commission interprets the current language in Section 7b(1) as making the board of review responsible for approving and denying exemptions under the Section. The bill would eliminate the option to file an exemption claim with the supervisor of a local unit and would delegate the authority for approving and denying exemptions with the assessing officer. This shift in authority is not anticipated to have any fiscal impact.

Senate Bill 330 (S-1) would create a new section in statute that would require local units to implement an audit program for the exemptions; however, the bill would specify that audits could not occur more frequently than every three years. As a result, it is unclear if and when any audits might take place because the language would effectively permit a local unit to never conduct audits. For example, if a local unit opted to audit exemptions once every 100 years, the audit program would still meet the requirement that audits not occur more frequently than every three years. While audits would increase local unit expenditures by an unknown amount, to the extent that any audits discovered improper exemption claims, audits would also increase State and local property tax revenue by an unknown amount that would depend on the specific characteristics of any affected property and local millage rates.

Senate Bill 364 (S-1) would reduce State and local property tax revenue by a likely minimal amount. The bill would only allow a board of review to reconsider previous exemption denials made for the 2023 tax year and would eliminate any limitations on what aspects of the exemption request could be reconsidered. The bill would only have a fiscal impact if a previously denied exemption were to be approved upon reconsideration. The reconsidered exemption, if approved, would decrease State and local property tax revenue by an unknown amount that would depend on the specific characteristics of any affected property and local millage rates.

Date Completed: 6-22-23

Fiscal Analyst: David Zin