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SFA



BILL ANALYSIS

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Senate Bill 1266 (as passed by the Senate)
Sponsor: Senator Glenn D. Steil
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 9-22-98

RATIONALE

The General Property Tax Act exempts from taxation property owned and occupied by a nonprofit charitable institution, while the property is used solely for the purposes for which the institution was incorporated. Some people believe that the exemption also should apply to property owned and occupied by a charitable trust. Reportedly, a charitable trust intends to build a large medical research facility in Grand Rapids, and wishes to claim the same property tax exemption as is claimed by charities organized as nonprofit charitable institutions. Apparently, a charitable trust cannot be formed as an incorporated entity, and therefore would not qualify for the property tax exemption, even though it would do work similar to the work of a nonprofit, charitable organization. It has been suggested that the Act be amended to allow nonprofit charitable trusts to claim an exemption from property taxes in the same manner that nonprofit charitable institutions are exempted.

CONTENT

The bill would amend the General Property Tax Act to provide an exemption from property taxes for property owned and occupied by a charitable trust, while occupied by that charitable trust solely for the charitable purposes for which the trust was established.

Currently, the Act provides a tax exemption for property owned by a nonprofit charitable institution that is leased, loaned, or otherwise made available to another nonprofit charitable institution, a nonprofit hospital, or a nonprofit educational institution, occupied by that entity solely for the purposes for which it was organized, and that would be exempt from taxes collected under the Act if the property were occupied by the lessor nonprofit charitable institution solely for the purposes for which it was organized. The bill would extend this exemption to property owned by a charitable trust.

Under the bill, "charitable trust" would mean a charitable trust registered under the Supervision of Trustees for Charitable Purposes Act; under that Act the Attorney General is authorized to establish and maintain a register of charitable trusts.

MCL 211.7o

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would allow a charitable trust to claim the same property tax exemption that is presently allowed for nonprofit charitable organizations. Currently, the Act allows an exemption for a nonprofit charitable organization as long as its property is owned and occupied solely for the purposes for which the institution is incorporated. Reportedly, a charitable trust cannot be established as an incorporated entity. Allowing a charitable trust to qualify for the exemption would eliminate any disincentive for a charitable organization to form as a charitable trust rather than a nonprofit charitable institution.

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would provide a property tax exemption for property owned and occupied by charitable trusts. Data are not available to determine the fiscal impact accurately.

Fiscal Analyst: R. Ross

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.