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INCOME TAX DEDUCTION FOR HOLOCAUST SURVIVOR PAYMENTS

House Bill 4796 as enrolled
Public Act 181 of 1999
Second Analysis (1-24-00)

Sponsor: Rep. Marc Shulman
House Committee: Tax Policy
Senate Committee: Finance

THE APPARENT PROBLEM:

From 1933 to 1945, Nazi Germany plundered the assets of its victims and put millions of people to work as slave laborers in vital war industries. Gold, artwork, insurance policies, gems and jewelry, stamp collections, books and manuscripts, furniture, securities and bonds, gold dental fillings – all of these were among the property of Holocaust victims looted by the Nazis to support the war effort (or for private enrichment). The Germans were assisted by their allies and by neutral trading partners, including Switzerland. In recent years, there have been renewed efforts to gain reparations or compensation for the many Jewish and other survivors of Nazi persecution, both through official government investigations, the efforts of private groups (such as the World Jewish Congress), and through class action lawsuits. Earlier this year, there was a settlement of a major lawsuit against Swiss bankers on behalf of victims of Nazi persecution, and more recently over 60 German firms have agreed to contribute to a \$5 billion fund to provide compensation to both Jews and non-Jews forced to work in wartime industries. Legislation has been introduced that would allow Holocaust victims (or their heirs) to be exempt from the state income tax for any amounts received as a result of the settlement of asset claims.

THE CONTENT OF THE BILL:

The bill would amend the Income Tax Act to provide a deduction for amounts received by a taxpayer who is a Holocaust victim as a result of a settlement of claims for recovered assets. The bill would apply to tax years beginning on and after January 1, 1994.

The bill specifies that it would apply to amounts received and interest on those amounts as a result of the settlement claims for any recovered asset under the German act regulating unresolved property claims

(cited as Gesetz Zur Regelung Offener Vermögensfragen), as a result of the settlement of the action entitled In re: Holocaust Victims Assets, or as a result of any similar action. The bill would allow a deduction from income that had been included in federal adjusted gross income, if the income and interest from the settlement were not commingled in any way with and were kept separate from all other funds and assets of the taxpayer.

The term “Holocaust victim” would mean a person, or the heir or beneficiary of that person, who was persecuted by Nazi Germany or any Axis regime during any period from 1933 to 1945. The term “recovered asset” would mean any asset of any type and any interest earned on that asset, including bank deposits, insurance proceeds, or artwork owned by a Holocaust victim during the period from 1920 to 1945, withheld from that victim from and after 1945, and not recovered, returned, or otherwise compensated to the Holocaust victim until after 1993.

MCL 206.30

BACKGROUND INFORMATION:

Useful information on the subject of Holocaust assets can be found at the web site of the United States Holocaust Memorial Museum. The address is <http://www.ushmm.org/assets/index.html>.

FISCAL IMPLICATIONS:

The House Fiscal Agency notes that the bill would result in an indeterminate decrease in income tax revenues, but says no reliable data exists to determine the magnitude of the decrease. (Fiscal Note dated 10-4-99).

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ARGUMENTS:

For:

In testifying in support of this bill, a representative of the Michigan Jewish Conference said, "Approving this bill is a compassionate decision. It says that we understand the symbolic importance of these reparations, and that we, the State of Michigan, agree that after all these years survivors have paid enough with their pain and suffering, and they are entitled to retain any and all compensation they can collect." Reportedly, there are perhaps 2,500 people eligible in Michigan for compensation. New Jersey and Pennsylvania are said to have enacted laws exempting such compensation from taxation.

Analyst: C. Couch

■ 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.