

# Legislative Analysis

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## PROPERTY TAX EXEMPTION FOR FRATERNAL AND VETERANS ORGS

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**House Bill 4177 (Substitute H-1)**  
**Sponsor: Rep. Scott Shackleton**  
**Committee: Tax Policy**  
**First Analysis (7-1-04)**

**BRIEF SUMMARY:** The bill would exempt the main meeting place of a fraternal or veterans organization from property taxes.

**FISCAL IMPACT:** The fiscal impact cannot be determined due to data constraints; however, the impact could be significant for any given local unit.

### ***THE APPARENT PROBLEM:***

There are numerous local fraternal and veterans organizations throughout the state, including the American Legion, Veterans of Foreign Wars, Knights of Columbus, Moose lodges, and Elks lodges. These organizations engage in many community service activities, including raising funds to the American Cancer Society, children's hospitals, March of Dimes, and other charitable causes. Although these organizations engage in community service activities and other charitable activities, they nonetheless still pay property taxes. Some people believe that if these organizations were exempt from taxation, they could use the money saved for additional charitable efforts.

### ***THE CONTENT OF THE BILL:***

The bill would amend the General Property Tax Act to exempt real property that is the primary meeting place of a fraternal or veterans organization owned and occupied by that organization solely for the organization's established purposes and personal property located in that primary meeting place from taxation under the act.

The bill defines "fraternal or veterans organization" to mean an organization within the state, except for a college fraternity or sorority, that (1) is not organized for pecuniary profit, (2) is a branch, lodge, or chapter of a national or state fraternal or veterans organization, and (3) exists for the common purpose, brotherhood, or other interest of its members.

MCL 211.7o

## ***ARGUMENTS:***

### ***For:***

Fraternal and veterans organizations engage in numerous charitable activities in their communities. However, the ability of these organizations is constrained for two main reasons. First, these organizations often have declining memberships, which lowers the amount of available money for charitable efforts. In addition, these organizations are saddled with high property taxes. With declining membership, a larger proportion of membership dues must be used to pay taxes, again leaving fewer dollars available to provide charitable services. Exempting real and personal property of fraternal and veterans organizations would provide some much needed tax relief and free up additional dollars for community service projects and other charitable causes.

### ***Against:***

The General Property Tax Act already exempts real and personal property owned and occupied by a nonprofit charitable organization while occupied by that organization solely for its established purposes. While fraternal organizations and veterans' organizations undoubtedly engage in a variety of charitable activities, if they were truly nonprofit charitable organizations, they would already be exempt from taxation under the act. However, many of these organizations have thus far not qualified as charitable organizations because of the nature of their activities in totality. For example, many of these organizations rent out their facilities for banquets and receptions, operate bingo halls, and have liquor licenses to facilitate brotherhood and fellowship among their members. In one case cited, a fraternal organization holds its regular meetings in the clubhouse of a golf course it owns. Would this new exemption apply in that case? Perhaps, the charitable exemption needs to be more clearly defined.

### ***Against:***

The bill, like many others, slowly chips away at the ability of local governmental units to adequately finance their operations. At the very least, the bill should adopt the approach taken by other recent property tax exemption bills and condition the exemption on the approval of the local unit.

## ***POSITIONS:***

The Michigan Moose Association supports the bill. (6-30-04)

The Michigan Elks Association indicated it supports the bill. (5-12-04)

The Department of Treasury opposes the bill. (6-30-04)

The Michigan Municipal League opposes the bill. (6-30-04)

The Michigan Townships Association opposes the bill. (6-30-04)

The Michigan Association of Counties opposes the bill. (6-30-04)

The following intermediate school districts oppose the bill: Van Buren, Tuscola, Bay-Arenac, Cass, and Allegan. (6-30-04)

The Lansing City Assessor's Office indicated that it opposes the bill. (5-12-04)

The Michigan Education Association indicated that it opposes the bill. (5-12-04)

The Michigan Assessors Association indicated that it opposes the bill. (5-12-04)

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■ 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.