



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

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**Bulletin 22 of 2013**  
**December 16, 2013**  
**P.A. 161 of 2013**  
**Disabled Veterans Exemption**

**TO:** Assessors, Equalization Directors and Interested Parties

**FROM:** State Tax Commission

**SUBJECT:** P.A. 161 of 2013 Disabled Veterans Exemption

The purpose of this Bulletin is to provide information regarding P.A. 161 of 2013. This Act amended MCL 211.7b regarding an exemption for disabled veterans. Specifically this Act changed MCL 211.7b to read as follows:

Sec. 7b. (1) Real property used and owned as a homestead by a disabled veteran who was discharged from the armed forces of the United States under honorable conditions or by an individual described in subsection (2) is exempt from the collection of taxes under this act. To obtain the exemption, an affidavit showing the facts required by this section and a description of the real property shall be filed by the property owner or his or her legal designee with the supervisor or other assessing officer during the period beginning with the tax day for each year and ending at the time of the final adjournment of the local board of review. The affidavit when filed shall be open to inspection. The county treasurer shall cancel taxes subject to collection under this act for any year in which a disabled veteran eligible for the exemption under this section has acquired title to real property exempt under this section. Upon granting the exemption under this section, each local taxing unit shall bear the loss of its portion of the taxes upon which the exemption has been granted.

(2) If a disabled veteran who is otherwise eligible for the exemption under this section dies, either before or after the exemption under this section is granted, the exemption shall remain available to or shall continue for his or her unremarried surviving spouse. The surviving spouse shall comply with the requirements of subsection (1) and shall indicate on the affidavit that he or she is the surviving spouse of a disabled veteran entitled to the exemption under this section. The exemption shall continue as long as the surviving spouse remains unremarried.

(3) As used in this section, "disabled veteran" means a person who is a resident of this state and who meets 1 of the following criteria:

(a) Has been determined by the United States department of veterans affairs to be permanently and totally disabled as a result of military service and entitled to veterans' benefits at the 100% rate.

(b) Has a certificate from the United States veterans' administration, or its successors, certifying that he or she is receiving or has received pecuniary assistance due to disability for specially adapted housing.

(c) Has been rated by the United States department of veterans affairs as individually unemployable.

### **Board of Review Authorities:**

The State Tax Commission has determined that the March, July and December Boards of Review have authority to review and grant the Disabled Veterans Exemption. The sentence "during the period beginning with the tax day for each year and ending at the time of the final adjournment of the local board of review" has been interpreted by the State Tax Commission to mean the March, July and December Boards of Review all have authority to grant this exemption.

The July and December Boards may not hear an appeal of a denial of the exemption from the March Board of Review. Appeal of a denial of the exemption is made to the Michigan Tax Tribunal by filing of a petition.

#### **If the exemption is granted by the December Board of Review does it eliminate all the property taxes for that year?**

Yes. If the exemption is granted by the December Board of Review then refunds would be issued for the taxes paid in September and no taxes would be due on the property in February of the following year.

#### **I escrow my taxes, how do I get my refund?**

Taxpayers are advised to contact their mortgage company or bank to discuss this matter.

#### **I purchased my home in September, what refund of taxes am I eligible to receive?**

Disabled veterans or their eligible unremarried surviving spouse who purchased their home mid-year are eligible for a partial refund of the taxes they have paid for that year or an exemption from taxes they will pay for that year. Taxpayers are encouraged to provide the local unit with a copy of the closing documents from the purchase of their home to assist the local unit in determining their property tax obligations.

#### **Are special assessments eliminated as well?**

Special assessments are not considered property taxes. The Act specifically indicates that the property is exempt from the collection of taxes under the General Property Tax Act. Therefore, if an exemption is granted under this Act a special assessment would not be eliminated and would still be required to be paid.

**If I missed filing my affidavit with the December 2013 Board of Review, can the 2014 March, July or December Boards of Review approve the exemption for 2013 and 2014?**

The State Tax Commission has determined that the July 2014 Board of Review only can approve an exemption for the 2013 year.

**Applying for the Exemption:**

In order to apply for the exemption, the disabled veteran, their unremarried surviving spouse or their legal designee must annually file an affidavit with the local unit. While the Act did not require the development of an official State of Michigan affidavit form, the State Tax Commission in the interest of uniformity and equity, has adopted Form 5107, Affidavit for Disabled Veterans Exemption.

**Property Eligible for the Exemption:**

Real property owned and used as a homestead by the disabled veteran or their unremarried surviving spouse is eligible for the exemption.

**Are parcels contiguous to the parcel I live on eligible for the exemption?**

No. The Act is specific that the exemption is for real property owned and used as a homestead. Homestead and Principal Residence are not interchangeable terms. The criteria to qualify under the Principle Residence Exemption and to qualify for this exemption are not the same. Therefore, the contiguous vacant parcels qualification under PRE would not apply.

**I rent my home but pay property taxes as part of my rent, am I eligible?**

No. The Act is specific that the property must be owned by the disabled veteran or their unremarried surviving spouse.

**I am a disabled veteran who is a lifelong Michigan resident. In addition to my primary residence, I also own a summer home "up north". Are both of my homes eligible for the exemption?**

No. The Act is specific that the property must be owned and used as a homestead. A homestead is generally defined as any dwelling with its land and buildings where a family makes its home.

**My mother's home is in a life estate and I will receive the home upon her death. I live in the home with her now and pay the property taxes. Am I eligible for the exemption?**

No. Your mother is the owner of the home; therefore you are not eligible for the exemption.

**My home is in a trust, am I eligible for the exemption?**

That depends on the form of the trust. Any trust that shares ownership of the home with a party or parties other than the disabled veteran and their spouse would not be eligible for the exemption. The Act does not provide for a partial exemption in the situation where you are a partial owner of a property.

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**My home is in a joint tenancy, am I eligible for the exemption?**

No. A joint tenancy is a form of concurrent ownership wherein each co-tenant owns an undivided share of property and the surviving co-tenant has the right to the whole estate. The Act does not provide for a partial exemption in the situation where you are a partial owner of a property.

**I am the unremarried surviving spouse of a disabled veteran. My spouse and I lived in Ohio until his death. I recently moved to Michigan, am I eligible for the exemption?**

No. The Act conveys eligibility to the unremarried surviving spouse based upon the eligibility of the disabled veteran. In order for the disabled veteran to have been eligible for the exemption, they would have had to be a resident of the State of Michigan before their death.

**Eligibility Requirements:**

In order to be eligible for the exemption, the disabled veteran must have been honorably discharged from the armed forces of the United States. They must be a Michigan resident. Additionally, they must meet one of the following criteria:

- (a) Has been determined by the United States department of veterans' affairs to be permanently and totally disabled as a result of military service and entitled to veterans' benefits at the 100% rate.
- (b) Has a certificate from the United States veterans' administration, or its successors, certifying that he or she is receiving or has received pecuniary assistance due to disability for specially adapted housing.
- (c) Has been rated by the United States department of veterans' affairs as individually unemployable.

The disabled veteran must have some form of documentation from the U.S. Department of Veterans Affairs to qualify for the exemption. A letter from the County Department of Veterans Affairs indicating they have reviewed their records and the veteran qualifies is insufficient.

The unremarried surviving spouse of the disabled veteran is eligible for the exemption based upon the eligibility of their spouse; therefore, the spouse must also be a Michigan resident. The exemption will continue only as long as the surviving spouse remains unremarried.

**How is a determination made that the disabled veteran is permanently and totally disabled as a result of military service and entitled to veterans' benefits at the 100% rate?**

The Veterans' Administration defines a service connected disability as a disability related to an injury or disease that developed during or was aggravated while on active duty or active duty for training.<sup>1</sup> The Veterans Administration Schedule for Rating Disabilities is used to assess the medical conditions and illnesses incurred or aggravated during the veteran's military service and a percentage rating from 0% to 100% is assigned based on the severity of the disability.

Individuals filing the affidavit for the exemption under criteria a) must provide a copy of the letter from the Veterans' Administration indicating they have a 100% service connected disability and are entitled to receive benefits.

**Note:** The Act does not require the disabled veteran to have already received the benefit, it only requires that they have been determined to be permanently and totally disabled as a result of military service and entitled to veterans' benefits at the 100% rate.

**What is assistance for specially adapted housing?**

The Veterans' Administration provides veterans with certain permanent and total service-connected disabilities financial assistance to purchase or construct an adapted home or modify an existing home to accommodate a disability. There are two grant programs: specially adapted housing grant (SAH) and the special housing adaptation grant (SHA).<sup>2</sup>

The State Tax Commission has determined that receipt of either grant would qualify an individual for the exemption under criteria b).

Individuals filing the affidavit for the exemption under criteria b) must provide a copy of the certificate from the Veterans' Administration indicating they are receiving or have received pecuniary assistance due to disability for specially adapted housing.

**What does individually unemployable mean?**

Individual unemployability is part of the Veterans' Administration disability compensation program. Under this program, veterans may receive compensation at the 100% rate even though their service connected disability is not rated at 100%.<sup>3</sup>

The Veterans Administration determines eligibility and in order to be eligible a veteran must prove they are unable to maintain substantially gainful employment as a result of their service connected disability. In addition they must have one service connected

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<sup>1</sup> Summary of VA Benefits for Disabled Veterans

<sup>2</sup> U.S. Department of Veterans Affairs Housing Grants for Disabled Veterans

<sup>3</sup> Veteran's Affairs Individual Unemployability Fact Sheet

disability rated at 60% or more or two or more service connected disabilities with at least one rated at 40% or more with a combined rating of 70% or more.<sup>4</sup>

Individuals filing the affidavit for the exemption under criteria c) must provide a copy of the letter from the Veterans' Administration indicating they are individually unemployable.

**Is there an asset test and/or means test to determine eligibility?**

No, there is no asset test and/or means test to determine eligibility. In order to be eligible the disabled veteran must meet the requirements of Public Act 161 of 2013 regardless of their income or the value of their home.

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<sup>4</sup> Veteran's Affairs Individual Unemployability Fact Sheet

Governor Snyder recently signed into law P.A. 161 of 2013. This Act amends MCL 211.7b regarding Veterans Exemptions to read as follows:

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(b) Has a certificate from the United States veterans' administration, or its successors, certifying that he or she is receiving or has received pecuniary assistance due to disability for specially adapted housing.

(c) Has been rated by the United States department of veterans affairs as individually unemployable.

The purpose of this communication is to make Assessors and Equalization Directors aware of this new Act and to provide some basic guidance. The State Tax Commission will issue additional guidance following their December meeting.

1. This exemption is only available to disabled veterans or, if the veteran has died, to their unremarried surviving spouse who own and use the home as their homestead.
2. The disabled veteran or their surviving spouse must be a resident of the State of Michigan.
3. Assessors are advised that eligible disabled veterans will be able to apply for a 2013 exemption at the December 2013 Board of Review. An exemption will cancel the July and December 2013 taxes, but will not cancel any taxes levied before 2013.
4. The Act requires an Affidavit be filed but does not require this Affidavit to be an official State of Michigan form. A standard Affidavit is not planned to be developed at this time.

