

DISABLED VETERANS EXEMPTION

PUBLIC ACT 161 OF 2013



WHAT IS THE DISABLED VETERANS EXEMPTION?

- 100% exemption from all real property taxes on property **owned and used** as a homestead by an eligible veteran or their unremarried surviving spouse.
- Special assessments are not included in the exemption.
- “Homestead” and “Principal Residence” are not interchangeable terms.
- For example, contiguous properties are not eligible for the Disabled Veterans Exemption but are eligible for the Primary Residence Exemption if the homestead parcel is eligible.

WHAT IS AN ELIGIBLE DISABLED VETERAN?

- The veteran must be a resident of Michigan.
- The veteran must be honorably discharged.
- The veteran must meet one of three different criteria.
 - Determined by the VA to be totally and permanently disabled and entitled to veterans benefits at the rate of 100%.
 - Certified by the VA to have received monetary assistance for specially adapted housing due to military disability.
 - Rated by the VA as individually unemployable.

Determined by the VA to be totally and permanently disabled and entitled to veterans benefits at the rate of 100%.

 **Department of Veterans Affairs**
PO BOX 1437
ST PETERSBURG FL 33731

January 13, 2011

Veteran's Name: [REDACTED]

[REDACTED]
MICHAEL [REDACTED]
[REDACTED]
PANAMA CITY FL 32404

This letter is a summary of benefits you currently receive from the Department of Veterans Affairs (VA). We are providing this letter to disabled Veterans to use in applying for benefits such as housing entitlements, free or reduced state park annual memberships, state or local property or vehicle tax relief, civil service preference, or any other program or entitlement in which verification of VA benefits is required. Please safeguard this important document. This letter replaces VA Form 20-5455, and is considered an official record of your VA entitlement.

--America is Grateful to You for Your Service--

Our records contain the following information:

Personal Claim Information:

Your VA claim number is: [REDACTED]
You are the Veteran

Military Information:

Your character(s) of discharge and service date(s) include:

Air Force, Honorable, 09-Jan-1986 - 25-Jan-1996

Air Force, Honorable, 30-Sep-2001 - 15-Jan-2004

Air Force, Honorable, 17-Feb-2007 - 12-Sep-2008

(You may have additional periods of service not listed above)

VA Benefits Information:

Service-connected disability: Yes

Your combined service-connected evaluation is: 100 PERCENT

Your current monthly award amount is: \$2,823.00

Are you being paid at the 100 percent rate because you are unemployable due to your service-connected disabilities: Not Indicated

Are you considered to be totally and permanently disabled due to your service-connected disabilities: Yes

Have you received a Specially Adapted Housing (SAH) and/or Special Home Adaptation (SHA) grant: No

You should contact your state or local office of Veterans' affairs for information on any tax, license, or fee-related benefits for which you may be eligible. State offices of Veterans' affairs are available at <http://www.va.gov/statedva.htm>.

Certified by the VA to have received monetary assistance for specially adapted housing due to military disability.

DID YOU KNOW?
VA offers monetary assistance to Veterans with specific service-connected physical disabilities, so they can construct or modify a home to best meet their needs.

WHAT RENOVATIONS QUALIFY?

- Bathrooms, kitchens, and bedrooms
- Covered porches, ramps, and walkways
- Garages, carports, and passageways
- Doors, windows, and flooring materials
- Security items
- Concrete or asphalt walkways
- Sliding doors, handrails, and grab bars

For a full list, contact: sahinfo.vhaco@va.gov

WHO IS ELIGIBLE?
Veterans or Servicemembers, with a permanent and total service-connected disability, who have experienced one or more of the following conditions:

- Loss of or loss of use of both arms and/or both legs
- Blindness in both eyes or only light perception
- Certain severe burns
- Certain severe respiratory injuries

For additional eligibility information, contact: sahinfo.vhaco@va.gov

HOW TO APPLY:
Fill out and submit VA Form 26-4555 at www.eBenefits.va.gov or call 1-800-827-1000 to have a

To learn more, visit www.benefits.va.gov/homeloans or call 1-800-827-1000

Rated by the VA as individually unemployable. The veteran **does not** have to be entitled to veterans benefits at 100% to be rated as individually unemployable.

What is Individual Unemployability?

Individual Unemployability is a part of VA's disability compensation program that allows VA to pay certain veterans compensation at the 100% rate, even though VA has not rated their service-connected disabilities at the total level.

What is the Eligibility Criteria for Individual Unemployability?

A veteran must be unable to maintain substantially gainful employment as a result of his/her service-connected disabilities. Additionally, a veteran must have:

- One service-connected disability ratable at **60** percent or more, *OR*
- Two or more service-connected disabilities, at least one disability ratable at **40** percent or more with a combined rating of **70** percent or more.

How Do I Apply?

- Submit VA Form 21-8940, "Veteran's Application for Increased Compensation Based on Unemployability"
- Send application to your nearest VA Regional Office. To find the closest regional office to you, go to <http://www1.va.gov/directory/guide/home.asp?isFlash=1>. The application can be downloaded at <http://www.vba.va.gov/pubs/forms/VBA-21-8940-ARE.pdf> or call 1-800-827-1000 and request the form be mailed to you.

Can I Work?

Veterans who are in receipt of Individual Unemployability benefits **may work** as long as it is not considered substantially gainful employment. The employment must be considered marginal employment.

- **Substantially gainful employment** is defined as employment at which non-disabled individuals earn their livelihood with earnings comparable to the particular occupation in the community where the veteran resides.
- **Marginal employment** is generally deemed to exist when a veteran's earned income does not exceed the amount established by the U.S. Census Bureau as the poverty level for the *veteran only*. For more information on the U.S. Census Bureau's poverty thresholds, see <http://www.census.gov/hhes/www/poverty/about/overview/measure.html>

What If I Don't Meet the Percentage Criteria?

Special consideration will be given for veterans when the following criteria is met:

- The veteran is considered unemployable due to a service-connected disability(ies) but fails to meet the minimum percentage standards, *OR*
- There is evidence of *exceptional or unusual* circumstances to impairment of earning capacity due to disabilities (for example, *interference with employment or frequent periods of hospitalization*)

Note: Veterans may have to complete an employment questionnaire once a year in order for VA to determine continued eligibility to Individual Unemployability.

**For More Information, Call Toll-Free 1-800-827-1000
or Visit Our Web Site at <http://www.va.gov>.**

WHAT IS AN UNREARRIED SURVIVING SPOUSE?

- Spouse must be a resident of Michigan.
 - Veteran must have been a resident of Michigan at the time of death.
 - Veteran must have been an “eligible disabled veteran” at the time of death.
 - Military member died on active duty? Not eligible for the exemption.
 - Veteran eligible before death but was not receiving the exemption? Surviving unremarried spouse is eligible.
- Must not have remarried.
- Unremarried surviving spouse can move their homestead and still retain the exemption.
 - Michigan Tax Tribunal says the unremarried spouse cannot have exemption if they move.
 - State Tax Commission says the unremarried spouse can have the exemption if they move.

WHO IS RESPONSIBLE FOR ADMINISTRATION OF THE EXEMPTION?

- Assessor
- Board of Review
- Michigan Tax Tribunal
- State Tax Commission
- Treasurer



ASSESSOR'S RESPONSIBILITY

- Receives annual applications for the Disabled Veterans Exemption.
 - Cannot approve or deny.
 - Can issue a provisional approval if the application is received prior to March Board of Review.
- Makes recommendations to the Board of Review.
 - Is the property a homestead? Is ownership shared? Does the property have rental or commercial uses?
- Removes eligible disabled veteran's property from the assessment roll.
- Files MCL 211.154 petition with the State Tax Commission to add property back onto the roll if the eligible veteran sells the property or becomes ineligible.
- Obtains closing statements to assist with proration of taxes.
- Determines the amount of taxes to be forgiven or billed.

BOARD OF REVIEW RESPONSIBILITY

- Approves or denies applications for the exemption.
 - Cannot withhold approval if the veteran or unremarried surviving spouse meets the criteria set forth in the law.
 - No means testing.
 - Cannot make an independent determination on whether or not the veteran is actually disabled or does not deserve the exemption.
 - No partial exemptions.
- Approval can only be granted for the year in which the veteran applies.
 - For example, an exemption for 2018 can only be granted in March 2018, July 2018 or December 2018. It cannot be granted in 2019 for 2018.

MICHIGAN TAX TRIBUNAL AND STATE TAX COMMISSION RESPONSIBILITY

Michigan Tax Tribunal

- Hears appeals of denials of the Disabled Veterans Exemption.

State Tax Commission

- Adds omitted property to the roll after a petition by the assessor.
- Issues guidance to assessors on administration of the law.

TREASURER'S RESPONSIBILITY

- Adjusts the tax roll if necessary.
- Issue refund if the exemption is granted at the July or December Board of Review and payment was made prior to granting.
- Prepare and send tax bills for previously exempt property that was added to the tax roll by the State Tax Commission.

PRACTICAL CONSIDERATIONS

OR HOW TO DEAL WITH THE TAX SIDE OF THINGS



IT ISN'T THAT EASY

- Guidance from the State Tax Commission says that the assessor is responsible for determining the proration of taxes for property that becomes eligible or ineligible for the exemption.
- Treasurers should understand how the proration works.
 - Treasurers and assessors should be friends. (Slipped this in here because, well, they should!)
 - It may be their assessment roll, but it's your tax roll.
 - You are the person who will be entering prorations into your roll and processing the bills or refunds – and you are the person who is likely to get the phone calls.

DISABLED VETERAN EXEMPTION IS GRANTED BY THE MARCH BOARD OF REVIEW AND THE PROPERTY WAS NOT TRANSFERRED

- The assessor will adjust the state equalized and taxable values to zero.
- No further action is required.

DISABLED VETERANS EXEMPTION IS GRANTED BY JULY OR DECEMBER BOARD OF REVIEW AND THE PROPERTY WAS NOT TRANSFERRED

- The assessor will adjust the state equalized and taxable values to zero.
- The treasurer will refund any summer or winter taxes paid to the entity that paid them (veteran or mortgage company).

DISABLED VETERANS EXEMPTION WAS GRANTED BY ANY BOARD OF REVIEW AND THE PROPERTY TRANSFERRED

- An eligible disabled veteran purchased the property from someone who was not receiving the exemption.
- The assessor will adjust the state equalized and taxable values to zero.
- The assessor and/or treasurer need to determine how the taxes should be prorated.
- The treasurer will adjust the tax roll and issue a refund, if necessary.

THE PROPERTY TRANSFERRED OR THE VETERAN BECAME INELIGIBLE, AND THE DISABLED VETERANS EXEMPTION IS REMOVED

- The assessor and/or treasurer need to determine how the taxes should be prorated.
- The assessor will petition the State Tax Commission to add the property to the roll.
- The assessor will add the state equalized and taxable values to the parcel.
- The treasurer will adjust the tax roll and issue a bill, if necessary.

HERE'S THE HARD PART: PRORATION

- The assessor should obtain a copy of the closing statement to determine the actual amount of property taxes paid by the parties in the year of sale.
- If the closing statement is not available, then the assessor should assume that the veteran paid no taxes at closing.

This closing statement was for a home with a VA loan closing at the end of the month

Settlement Date	7/13/20xx	
Proration Date	7/30/20xx	
	Debit	Credit
DEPOSITS, CREDITS, DEBITS		
Contract Sales Price	\$267,000.00	
Deposit or Earnest Money		\$2,500.00
Origination Charge Credit		\$350.00
Seller Reimbursement for Pest Inspection		\$150.00
Owner's Policy/Extended Coverage		\$1,077.00
Seller Concession		\$850.00
PRORATIONS		
Proration of Propane Tank Lease 7/30 to 1/13/xx	\$27.45	
County taxes 1/1/xx to 7/30/xx @\$1352.96/year		\$778.40
NEW LOANS		
Principal amount of new loan		\$272,740.00
Loan Origination Fee for Bank	\$685.00	
Point Charge for specific interest rate chosen	-\$1,363.70	
Appraisal Fee	\$400.00	
Credit Report for Bank	\$15.30	
Flood Certification	\$5.25	
Daily Interest Charges 7/30 to 8/1/xx @\$28.41/day	\$56.82	
VA Funding Fee	\$5,740.50	
Homeowner's Insurance for 12 months	\$1,315.00	
Homeowner's Insurance 3 mnths @\$109.58/mnth	\$328.74	
Property taxes 4 months @\$128.03/month	\$512.12	
Aggregate Adjustment	-\$127.99	
TITLE CHARGES		
Lender's Coverage to Title Co	\$385.00	
Owner's Coverage to Title Co	\$987.00	
Owner's Extended Coverage to Title Co	\$50.00	
Owner's Mechanics Lien Coverage	\$40.00	
Buyers Bundled Closing Fee to Title Co	\$425.00	
E-Recording Fee to Title Co	\$20.00	
Attorney's Fees/Deed Prep	\$75.00	
GOVERNMENT RECORDING & TRANSFER CHARGES		
Recording Fees	\$11.00	
Mortgage	\$101.00	
Documentary Fee	\$26.70	
ADDITIONAL SETTLEMENT CHARGES		
Prorated Metro Dues	\$4.50	
	Totals	
	\$276,719.69	\$278,445.40
	BALANCE DUE FROM (TO) BUYER	-\$1,725.71

TITLE COMPANIES AND CLOSING STATEMENTS

- It's easy to say “use the title company calculations”, but.....
 - Did the title company use July – June, or January - December?
 - Did the title company use levy dates or payment dates?
 - Are the taxes paid in advance or arrears?
- Don't overthink.
 - Use the title company's calculations even if you are unsure about their accuracy.
 - Tax calculations are generally included in the purchase agreement.
 - Title companies generally use the purchase agreement to guide the proration in the closing statement – therefore, the proration is something the buyer and seller agree upon.

PRORATION CALCULATIONS WITHOUT A CLOSING STATEMENT

- The tax year is January 1st through December 31st and the exemption is granted for the tax year.
- The taxes being prorated are those that are levied between January 1st and December 31st of the year of sale.

PRORATION EXAMPLE

Eligible disabled veteran sells to exemption-ineligible buyers on July 15th.

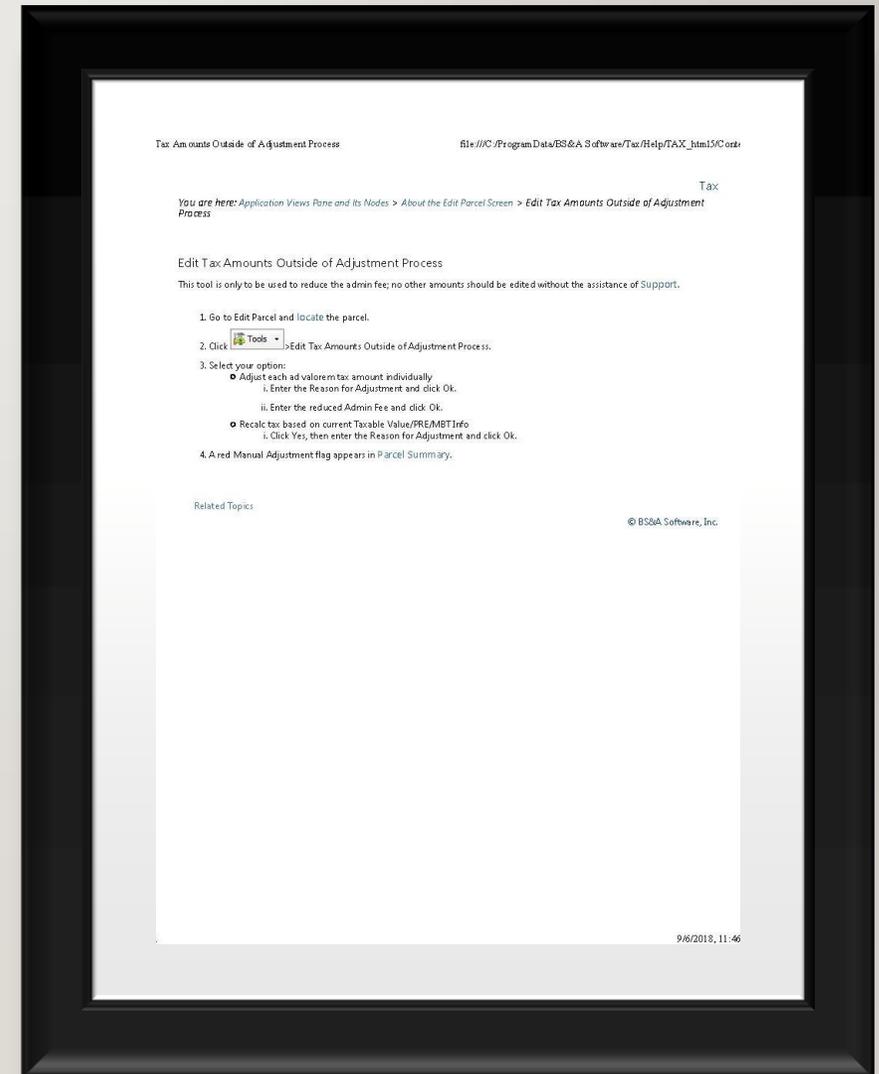
Veteran occupies the home for 195 days (53.42% of the year). New owner occupies the home for 170 days (46.58% of the year).

Summer taxes were \$1,500 – therefore the new owner owes \$698.70 ($\$1,500 \times 46.58\%$)

- Apply any title company payments towards the new owners taxes due, as our assumption is that the veteran paid \$0 for taxes at closing.

ADJUSTING THE TAX BILL (USING BS&A)

- When the assessor changes the state equalized and taxable values in the assessment roll, the tax program will base the tax amount on the total due.
- A manual adjustment will need to be made by the treasurer to reflect the prorated taxes due.
- Call Support for assistance.



RESOURCES

- For Taxpayers:

Michigan Department of Treasury Disabled Veterans Information

https://www.michigan.gov/treasury/0,4679,7-121-1751_2228_62817-317569--,00.html

- For Assessors:

State Tax Commission Disabled Veterans Information

https://www.michigan.gov/treasury/0,4679,7-121-1751_2228_14924-317569--,00.html

- Disabled Veterans Exemption Five Key Things to Know

https://www.youtube.com/watch?feature=player_embedded&v=9QVPcslghY