SENATE SUBSTITUTE FOR

HOUSE BILL NO. 4370

A bill to amend 1967 PA 281, entitled

"Income tax act of 1967,"

by amending sections 520 and 522 (MCL 206.520 and 206.522), section 520 as amended by 2011 PA 273 and section 522 as amended by 2013 PA 206, and by adding section 51d.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

SEC. 51D. IN ADDITION TO THE DISTRIBUTION UNDER SECTION 51(2), THE FOLLOWING AMOUNTS OF REVENUE COLLECTED FROM THE TAX LEVIED UNDER SECTION 51 SHALL BE DEPOSITED INTO THE STATE TREASURY TO THE CREDIT OF THE MICHIGAN TRANSPORTATION FUND CREATED IN SECTION 10 OF 1951 PA 51, MCL 247.660, AND DISBURSED AS PROVIDED IN SECTION 10(1)(K) OF 1951 PA 51, MCL 247.660:

(A) BEGINNING OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2019, $150,000,000.00.

(B) BEGINNING OCTOBER 1, 2019 THROUGH SEPTEMBER 30, 2020, $325,000,000.00.

(C) BEGINNING OCTOBER 1, 2020 AND EACH OCTOBER 1 THEREAFTER, $600,000,000.00.

Sec. 520. (1) Subject to the limitations and the definitions in this chapter, a claimant may claim against the tax due under this part for the tax year a credit for the property taxes on the taxpayer's homestead deductible for federal income tax purposes pursuant to section 164 of the internal revenue code, or that would have been deductible if the claimant had not elected the zero bracket amount or if the claimant had been subject to the federal income tax. The property taxes used for the credit computation shall not be greater than the amount levied for 1 tax year. An owner is not eligible for a credit under this section if the taxable value of his or her homestead excluding the portion of a parcel of real property that is unoccupied and classified as agricultural for ad valorem tax purposes in the year for which the credit is claimed is greater than $135,000.00 **THROUGH THE 2021 TAX YEAR. BEGINNING WITH THE 2021 TAX YEAR AND EACH TAX YEAR AFTER 2021, THE TAXABLE VALUE CAP UNDER THIS SUBSECTION FOR THE IMMEDIATELY PRECEDING TAX YEAR SHALL BE ADJUSTED BY THE PERCENTAGE INCREASE IN THE UNITED STATES CONSUMER PRICE INDEX FOR THE IMMEDIATELY PRECEDING CALENDAR YEAR AND ROUNDED TO THE NEAREST $100.00 INCREMENT. THE DEPARTMENT SHALL ANNUALIZE THE AMOUNT IN THIS SUBSECTION AS NECESSARY.** As used in this subsection, "taxable value" means that value determined under section 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

(2) A person who rents or leases a homestead may claim a similar credit computed under this section and section 522 based upon ~~17% of the gross rent paid for tax years before the 1994 tax year, or~~ 20% of the gross rent paid for tax years ~~after the 1993 tax year.~~ **BEFORE THE 2018 TAX YEAR OR 23% OF THE GROSS RENT PAID FOR TAX YEARS AFTER THE 2017 TAX YEAR.** A person who rents or leases a homestead subject to a service charge in lieu of ad valorem taxes as provided by section 15a of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1415a, may claim a similar credit computed under this section and section 522 based upon 10% of the gross rent paid.

(3) If the credit claimed under this section and section 522 exceeds the tax liability for the tax year or if there is no tax liability for the tax year, the amount of the claim not used as an offset against the tax liability shall, after examination and review, be approved for payment, without interest, to the claimant. In determining the amount of the payment under this subsection, withholdings and other credits shall be used first to offset any tax liabilities.

(4) If the homestead is an integral part of a multipurpose or multidwelling building that is federally aided housing or state aided housing, a claimant who is a senior citizen entitled to a payment under subsection (2) may assign the right to that payment to a mortgagor if the mortgagor reduces the rent charged and collected on the claimant's homestead in an amount equal to the tax credit payment provided in this chapter. The assignment of the claim is valid only if the Michigan state housing development

authority, by affidavit, verifies that the claimant's rent has been so reduced.

(5) Only the renter or lessee shall claim a credit on property that is rented or leased as a homestead.

(6) A person who discriminates in the charging or collection of rent on a homestead by increasing the rent charged or collected because the renter or lessee claims and receives a credit or payment under this chapter is guilty of a misdemeanor. Discrimination against a renter who claims and receives the credit under this section and section 522 by a reduction of the rent on the homestead of a person who does not claim and receive the credit is a misdemeanor. If discriminatory rents are charged or collected, each charge or collection of the higher or lower payment is a separate offense. Each acceptance of a payment of rent is a separate offense.

(7) A person who received aid to families with dependent children, state family assistance, or state disability assistance pursuant to the social welfare act, 1939 PA 280, MCL 400.1 to 400.119b, in the tax year for which the person is filing a return shall have a credit that is authorized and computed under this section and section 522 reduced by an amount equal to the product of the claimant's credit multiplied by the quotient of the sum of the claimant's aid to families with dependent children, state family assistance, and state disability assistance for the tax year divided by the claimant's total household resources. The reduction of credit shall not exceed the sum of the aid to families with dependent children, state family assistance, and state disability

assistance for the tax year. For the purposes of this subsection, aid to families with dependent children does not include child support payments that offset or reduce payments made to the claimant.

(8) ~~A~~ **FOR TAX YEARS BEFORE THE 2018 TAX YEAR, A** credit under subsection (1) or (2) shall be reduced by 10% for each claimant whose total household resources exceed **THE MINIMUM TOTAL HOUSEHOLD RESOURCES AMOUNT OF** $41,000.00 and by an additional 10% for each increment of $1,000.00 of total household resources in excess of $41,000.00. **EXCEPT AS OTHERWISE PROVIDED UNDER THIS SUBSECTION, FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018, THE MINIMUM TOTAL HOUSEHOLD RESOURCES AMOUNT IS $51,000.00. FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018, A CREDIT UNDER SUBSECTION (1) OR (2) SHALL BE REDUCED BY 10% FOR EACH CLAIMANT WHOSE TOTAL HOUSEHOLD RESOURCES EXCEED THE MINIMUM TOTAL HOUSEHOLD RESOURCES AMOUNT ESTABLISHED UNDER THIS SUBSECTION AND BY AN ADDITIONAL 10% FOR EACH INCREMENT OF $1,000.00 OF TOTAL HOUSEHOLD RESOURCES IN EXCESS OF THE MINIMUM TOTAL HOUSEHOLD RESOURCES AMOUNT FOR THAT TAX YEAR. FOR THE 2021 TAX YEAR AND EACH TAX YEAR AFTER 2021, THE MINIMUM TOTAL HOUSEHOLD RESOURCES THRESHOLD AMOUNT ESTABLISHED UNDER THIS SUBSECTION FOR THE IMMEDIATELY PRECEDING TAX YEAR SHALL BE ADJUSTED BY THE PERCENTAGE INCREASE IN THE UNITED STATES CONSUMER PRICE INDEX FOR THE IMMEDIATELY PRECEDING CALENDAR YEAR AND ROUNDED TO THE NEAREST $100.00 INCREMENT.**

(9) If the credit authorized and calculated under this section and section 522 and adjusted under subsection (7) or (8) does not provide to a senior citizen who rents or leases a homestead that

amount attributable to rent that constitutes more than 40% of the total household resources of the senior citizen, the senior citizen may claim a credit based upon the amount of total household resources attributable to rent as provided by this section.

(10) A senior citizen whose gross rent paid for the tax year is more than the percentage of total household resources specified in subsection (9) for the respective tax year may claim a credit for the amount of rent paid that constitutes more than the percentage of the total household resources of the senior citizen specified in subsection (9) and that was not provided to the senior citizen by the credit computed pursuant to this section and section 522 and adjusted pursuant to subsection (7) or (8).

(11) The department may promulgate rules to implement subsections (9) to (15) and may prescribe a table to allow a claimant to determine the credit provided under this section and section 522 in the instruction booklet that accompanies the respective income tax or property tax credit forms used by claimants.

(12) A senior citizen may claim the credit under subsections (9) to (15) on the same form as the property tax credit permitted by subsection (2). The department shall adjust the forms accordingly.

(13) A senior citizen who moves to a different rented or leased homestead shall determine, for 2 tax years after the move, both his or her qualification to claim a credit under subsections (9) to (15) and the amount of a credit under subsections (9) to (15) on the basis of the annualized final monthly rental payment at

his or her previous homestead, if this annualized rental is less than the senior citizen's actual annual rental payments.

(14) For a return of less than 12 months, the claim for a credit under subsections (9) to (15) shall be reduced proportionately.

(15) ~~The~~ **FOR TAX YEARS BEFORE THE 2018 TAX YEAR, THE** total credit allowed by this section and section 522 shall not exceed $1,200.00 per year. **EXCEPT AS OTHERWISE PROVIDED UNDER THIS SUBSECTION, FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018, THE TOTAL CREDIT ALLOWED BY THIS SECTION AND SECTION 522 SHALL NOT EXCEED $1,500.00 PER YEAR. BEGINNING WITH THE 2021 TAX YEAR AND EACH TAX YEAR AFTER 2021, THE MAXIMUM AMOUNT OF THE CREDIT ALLOWED UNDER THIS SECTION AND SECTION 522 FOR THE IMMEDIATELY PRECEDING TAX YEAR SHALL BE ADJUSTED BY THE PERCENTAGE INCREASE IN THE UNITED STATES CONSUMER PRICE INDEX FOR THE IMMEDIATELY PRECEDING CALENDAR YEAR. THE DEPARTMENT SHALL ROUND THE AMOUNT TO THE NEAREST $100.00 INCREMENT.**

(16) AS USED IN THIS SECTION, "UNITED STATES CONSUMER PRICE INDEX" MEANS THE UNITED STATES CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS AS DEFINED AND REPORTED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

Sec. 522. (1) The amount of a claim made pursuant to this chapter shall be determined as follows:

(a) A claimant who is not a senior citizen is entitled to a credit against the state income tax liability under this part equal to 60% of the amount by which the property taxes on the homestead, or the credit for rental of the homestead for the tax year, exceeds

3.5% of the claimant's total household resources for ~~that tax year.~~**TAX YEARS BEFORE THE 2018 TAX YEAR OR 3.2% OF THE CLAIMANT'S TOTAL HOUSEHOLD RESOURCES FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018.**

(b) A claimant who is a senior citizen is entitled to a credit against the state income tax liability under this part equal to the following:

(*i*) For a claimant with total household resources of $21,000.00 or less, an amount as determined in accordance with subdivision (c).

(*ii*) For a claimant with total household resources of more than $21,000.00 and less than or equal to $22,000.00, an amount equal to 96% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources **FOR TAX YEARS BEFORE THE 2018 TAX YEAR OR 3.2% OF TOTAL HOUSEHOLD RESOURCES FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018.**

(*iii*) For a claimant with total household resources of more than $22,000.00 and less than or equal to $23,000.00, an amount equal to 92% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources **FOR TAX YEARS BEFORE THE 2018 TAX YEAR OR 3.2% OF TOTAL HOUSEHOLD RESOURCES FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018.**

(*iv*) For a claimant with total household resources of more than $23,000.00 and less than or equal to $24,000.00, an amount equal to 88% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources **FOR TAX YEARS BEFORE THE 2018 TAX YEAR OR 3.2% OF TOTAL HOUSEHOLD RESOURCES FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018.**

(*v*) For a claimant with total household resources of more than $24,000.00 and less than or equal to $25,000.00, an amount equal to 84% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources **FOR TAX YEARS BEFORE THE 2018 TAX YEAR OR 3.2% OF TOTAL HOUSEHOLD RESOURCES FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018.**

(*vi*) For a claimant with total household resources of more than $25,000.00 and less than or equal to $26,000.00, an amount equal to 80% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources **FOR TAX YEARS BEFORE THE 2018 TAX YEAR OR 3.2% OF TOTAL HOUSEHOLD RESOURCES FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018.**

(*vii*) For a claimant with total household resources of more than $26,000.00 and less than or equal to $27,000.00, an amount equal to 76% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources **FOR TAX YEARS BEFORE THE 2018 TAX YEAR OR 3.2% OF TOTAL HOUSEHOLD RESOURCES FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018.**

(*viii*) For a claimant with total household resources of more than $27,000.00 and less than or equal to $28,000.00, an amount equal to 72% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources **FOR TAX YEARS BEFORE THE 2018 TAX YEAR OR 3.2% OF TOTAL HOUSEHOLD RESOURCES FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018.**

(*ix*) For a claimant with total household resources of more than $28,000.00 and less than or equal to $29,000.00, an amount equal to 68% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources **FOR TAX YEARS BEFORE THE 2018 TAX YEAR OR 3.2% OF TOTAL HOUSEHOLD RESOURCES FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018.**

(*x*) For a claimant with total household resources of more than $29,000.00 and less than or equal to $30,000.00, an amount equal to 64% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources **FOR TAX YEARS BEFORE THE 2018 TAX YEAR OR 3.2% OF TOTAL HOUSEHOLD RESOURCES FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018.**

(*xi*) For a claimant with total household resources of more than $30,000.00, an amount equal to 60% of the difference between the property taxes on the homestead or the credit for rental of the homestead for the tax year and 3.5% of total household resources **FOR TAX YEARS BEFORE THE 2018 TAX YEAR OR 3.2% OF TOTAL HOUSEHOLD RESOURCES FOR THE 2018 TAX YEAR AND EACH TAX YEAR AFTER 2018.**

(c) A claimant who is a senior citizen with total household resources of $21,000.00 or less or a paraplegic, hemiplegic, or quadriplegic and for tax years that begin after December 31, 1999, a claimant who is totally and permanently disabled, deaf, or, for tax years that begin after December 31, 2012, blind is entitled to a credit against the state income tax liability for the amount by which the property taxes on the homestead, the credit for rental of the homestead, or a service charge in lieu of ad valorem taxes as provided by section 15a of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1415a, for the tax year exceeds the percentage of the claimant's total household resources for that tax year computed as follows:

Total household resources	Percentage
Not over $3,000.00	.0%
Over $3,000.00 but not over $4,000.00	1.0%
Over $4,000.00 but not over $5,000.00	2.0%
Over $5,000.00 but not over $6,000.00	3.0%
Over $6,000.00 **FOR TAX YEARS BEFORE THE 2018 TAX YEAR**	3.5%
OVER $6,000.00 FOR TAX YEARS AFTER THE 2017 TAX YEAR	**3.2%**

(d) A claimant who is an eligible serviceperson, eligible veteran, or eligible widow or widower is entitled to a credit against the state income tax liability for a percentage of the property taxes on the homestead for the tax year not in excess of 100% determined as follows:

(*i*) Divide the taxable value allowance specified in section 506 by the taxable value of the homestead or, if the eligible serviceperson, eligible veteran, or eligible widow or widower leases or rents a homestead, divide ~~17% of the total annual rent paid for tax years before the 1994 tax year, or~~ 20% of the total annual rent paid for tax years ~~after the 1993~~ **BEFORE THE 2018** tax year **OR 23% OF THE TOTAL ANNUAL RENT PAID FOR TAX YEARS AFTER THE 2017 TAX YEAR** on the property by the property tax rate on the property.

(*ii*) Multiply the property taxes on the homestead by the percentage computed in subparagraph (*i*).

(e) A claimant who is blind is entitled to a credit against the state income tax liability for a percentage of the property taxes on the homestead for the tax year determined as follows:

(*i*) If the taxable value of the homestead is $3,500.00 or less, 100% of the property taxes.

(*ii*) If the taxable value of the homestead is more than $3,500.00, the percentage that $3,500.00 bears to the taxable value of the homestead.

(2) A person who is qualified to make a claim under more than 1 classification shall elect the classification under which the claim is made.

(3) Only 1 claimant per household for a tax year is entitled to the credit, unless both the husband and wife filing a joint return are blind, then each shall be considered a claimant.

(4) As used in this section, "totally and permanently disabled" means disability as defined in section 216 of title II of the social security act, 42 USC 416.

(5) A senior citizen who has total household resources for the

tax year of $6,000.00 or less and who for 1973 received a senior citizen homestead exemption under former section 7c of the general property tax act, 1893 PA 206, may compute the credit against the state income tax liability for a percentage of the property taxes on the homestead for the tax year determined as follows:

(a) If the taxable value of the homestead is $2,500.00 or less, 100% of the property taxes.

(b) If the taxable value of the homestead is more than $2,500.00, the percentage that $2,500.00 bears to the taxable value of the homestead.

(6) For a return of less than 12 months, the claim shall be reduced proportionately.

(7) The department may prescribe tables that may be used to determine the amount of the claim.

(8) The total credit allowed in this section for each year ~~after December 31, 1975~~ shall not exceed ~~$1,200.00 per year.~~**THE AMOUNT DETERMINED UNDER SECTION 520.**

(9) The total credit allowable under this part and part 361 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36101 to 324.36117, shall not exceed the total property tax due and payable by the claimant in that year. The amount by which the credit exceeds the property tax due and payable shall be deducted from the credit claimed under part 361 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36101 to 324.36117.

Enacting section 1. This amendatory act does not take effect unless all of the following bills of the 98th Legislature are enacted into law:

(a) Senate Bill No. 414.

(b) House Bill No. 4614.

(c) House Bill No. 4616.

(d) House Bill No. 4736.

(e) House Bill No. 4737.

(f) House Bill No. 4738.