

Act No. 166
Public Acts of 1989
Approved by the Governor
August 15, 1989
Filed with the Secretary of State
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**STATE OF MICHIGAN
85TH LEGISLATURE
REGULAR SESSION OF 1989**

Introduced by Reps. DeBeaussaert, O'Neill, Nye, Oxender, Jondahl, Keith, Pitoniak, Rocca, Clack, Gire,
Hickner, DeMars and Barns
Rep. Scott named co-sponsor

ENROLLED HOUSE BILL No. 4308

AN ACT to amend sections 520 and 522 of Act No. 281 of the Public Acts of 1967, entitled "An act to meet deficiencies in state funds by providing for the imposition, levy, computation, collection, assessment, and enforcement by lien and otherwise of taxes on or measured by net income; to prescribe the manner and time of making reports and paying the taxes, and the functions of public officers and others as to the taxes; to permit the inspection of the records of taxpayers; to provide for interest and penalties on unpaid taxes; to provide exemptions, credits and refunds of the taxes; to prescribe penalties for the violation of this act; to provide an appropriation; and to repeal certain acts and parts of acts," section 520 as amended by Act No. 516 of the Public Acts of 1988 and section 522 as amended by Act No. 254 of the Public Acts of 1987, being sections 206.520 and 206.522 of the Michigan Compiled Laws; and to add section 252.

The People of the State of Michigan enact:

Section 1. Sections 520 and 522 of Act No. 281 of the Public Acts of 1967, section 520 as amended by Act No. 516 of the Public Acts of 1988 and section 522 as amended by Act No. 254 of the Public Acts of 1987, being sections 206.520 and 206.522 of the Michigan Compiled Laws, are amended and section 252 is added to read as follows:

Sec. 252. (1) A taxpayer with a household income, as defined in section 508, of less than 150% of the federal poverty income standards, as defined and determined annually by the United States office of management and budget as certified by the department, who does not receive the benefit of the exemption provided by section 4m of the general sales tax act, Act No. 167 of the Public Acts of 1933, being section 205.54m of the Michigan Compiled Laws, may claim a credit of \$60.00 against the tax imposed by this act. If the taxpayer receives the benefit of the exemption under the general sales tax act for a portion of the tax year, the credit under this section shall be prorated to account for only that portion of the tax year for which the exemption is not received. If the exemption under the general sales tax act is effective for only a portion of the tax year, the credit under this section shall be prorated to account for only the portion for which the sales tax exemption is effective.

(2) If the amount of the credit under subsection (1) exceeds the person's income tax liability for the tax year, the treasurer shall pay to the claimant the amount of the credit not used as an offset against the state income tax.

(3) The department of treasury shall promulgate rules under the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws, to implement this section.

Sec. 520. (1) Subject to the limitations and the definitions set out in this chapter, a claimant may claim against his or her state income tax otherwise due for the tax year a credit for the property taxes on the homestead deductible for federal income taxes 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.

(2) A person who is renting or leasing a homestead may claim a similar credit, computed pursuant to section 522, that shall be based upon 20% of the gross rent paid. A person renting or leasing 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, Act No. 346 of the Public Acts of 1966, as amended, being section 125.1415a of the Michigan Compiled Laws, may claim a similar credit, computed pursuant to section 522, that shall be based upon 10% of the gross rent paid.

(3) If the allowable amount of the credit claimed under this section exceeds the state income tax otherwise due for the tax year or if there is no state income tax due for the tax year, the amount of the claim not used as an offset against the state income tax shall, after examination and review, be approved for payment, without interest, to the claimant. A payment approved pursuant to this subsection to a claimant eligible for a credit under subsection (1) shall be made in a check or warrant exclusive of refunds due for withholdings or other credits allowed by this act. In determining the amount of this check or warrant, 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 who 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 shall be 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 is claiming and receiving a credit or payment under this chapter is guilty of a misdemeanor. Discrimination against a renter claiming and receiving the credit by reduction of rent on the homestead of a person not claiming or receiving the credit is a misdemeanor. If discriminatory rents are charged or collected, each charge and collection of both the higher and lower payment shall be considered a separate offense. Each acceptance of a payment of rent shall be considered a separate offense.

(7) A person who received aid to dependent children payments pursuant to section 56 of the social welfare act, Act No. 280 of the Public Acts of 1939, as amended, being section 400.56 of the Michigan Compiled Laws, or general relief payments pursuant to sections 55 and 55a of the social welfare act, Act No. 280 of the Public Acts of 1939, as amended, being sections 400.55 and 400.55a of the Michigan Compiled Laws, in the tax year for which the person is filing a return shall have a credit that is authorized pursuant to this section and computed pursuant to section 522 reduced by an amount equal to the product of the claimant's credit, as computed pursuant to section 522, multiplied by the quotient of the sum of the claimant's aid to dependent children payments and general relief payments for the tax year divided by the claimant's household income. The reduction of credit shall not exceed the sum of the aid to dependent children payments and general relief payments for the tax year. For the purposes of this subsection, aid to dependent children payments do not include child support payments that offset or reduce payments made to the claimant. This subsection applies only to the 1980 through the 1989 tax years.

(8) For tax years commencing after December 31, 1984, a credit under subsection (1) or (2) shall be reduced by 10% for each claimant whose household income exceeds \$73,650.00 and by an additional 10% for each increment of \$1,000.00 of household income in excess of \$73,650.00.

(9) If the credit permitted by subsection (2), which is calculated pursuant to section 522 and adjusted pursuant to subsection (7) or (8), does not provide to a senior citizen who is renting or leasing a homestead that amount attributable to rent that constitutes more than the following percentage of the household income of the senior citizen, the senior citizen may claim a credit based upon the amount of household income attributable to rent as provided by this section, subject to the limitations of this section:

(a) 50% for a credit claimed for the 1982 tax year.

(b) 45% for a credit claimed for the 1983 tax year.

(c) 40% for a credit claimed for the 1984 tax year or a tax year after the 1984 tax year.

(10) For tax years commencing after December 31, 1981, a senior citizen whose gross rent paid for the tax year is more than the percentage of household income 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 household income of the senior citizen specified in subsection (9) for the respective tax year and that was not provided to the senior citizen by the credit computed pursuant to section 522 and adjusted pursuant to subsection (7) or (8).

(11) The department may promulgate rules to implement subsections (9) to (16) and may prescribe a table to allow a claimant to determine the credit provided under subsections (9) to (16) 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 (16) 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, after December 31, 1981, 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 (16) and the amount of a credit under subsections (9) to (16) 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 (16) shall be reduced proportionately.

(15) The Michigan state housing development authority shall report on the effect of the credit provided by subsections (9) to (16) on the price of rented and leased homesteads. If the authority determines that the price of rented and leased homesteads has increased as a result of the credit provided by subsections (9) to (16), the authority shall make recommendations to the legislature to remedy this situation. The report shall be made to the chairpersons of the house and senate committees that have primary responsibility for taxation legislation 2 years after the credit provided by subsections (9) to (16) is in effect.

(16) The total credit allowed by subsections (9) to (15) and section 522 shall not exceed \$1,200.00 per year.

(17) Subsection (8) does not apply for any tax year to which subsection (7) does not apply.

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

(a) A claimant is entitled to a credit against the state income tax liability equal to 60% of the amount by which the property taxes on the homestead, or the credit for rental of the homestead for the taxable year, exceeds 3.5% of the claimant's household income for that taxable year.

(b) A claimant who is a senior citizen or a paraplegic or quadriplegic 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, Act No. 346 of the Public Acts of 1966, as amended, being section 125.1415a of the Michigan Compiled Laws, for the taxable year exceeds the percentage of the claimant's household income for that taxable year computed as follows:

Household income	Percentage
Not over \$5,000.00	.0%
Over \$5,000.00 but not over \$6,000.00	1.0%
Over \$6,000.00 but not over \$9,000.00	2.0%
Over \$9,000.00 but not over \$20,000.00	3.0%
Over \$20,000.00	3.5%

(c) A claimant who is totally and permanently disabled is entitled to a credit against the state income tax liability equal to 60% of the amount by which the property taxes on the homestead, or the credit for rental of the homestead or for a service charge in lieu of ad valorem taxes as provided in section 15a of the state housing development authority act of 1966, being section 125.1415a of the Michigan Compiled Laws, for the taxable year, exceeds the percentage of the claimant's household income for that taxable year based on the schedule in subdivision (b).

(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 taxable year not in excess of 100% determined as follows:

(i) Divide the state equalized value allowance specified in section 506 by the state equalized value of the homestead or, if the eligible serviceperson, eligible veteran, or eligible widow or widower leases or rents a homestead, divide 20% of the total annual rent paid 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 taxable year determined as follows:

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

(ii) If the state equalized value of the homestead is more than \$3,500.00, the percentage that \$3,500.00 bears to the state equalized 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 U.S.C. 416.

(5) A senior citizen who has a household income for the taxable year of \$6,000.00 or less and who for 1973 received a senior citizen homestead exemption under former section 7c of Act No. 206 of the Public Acts of 1893 may compute the credit against the state income tax liability for a percentage of the property taxes on the homestead for the taxable year determined as follows:

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

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

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

(7) The commissioner 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.

(9) The total credit allowable under this act and the farmland and open space preservation act, Act No. 116 of the Public Acts of 1974, as amended, being sections 554.701 to 554.719 of the Michigan Compiled Laws, 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 Act No. 116 of the Public Acts of 1974, as amended.

Section 2. This amendatory act shall take effect January 1, 1990.

Section 3. This amendatory act shall not take effect unless amendment 2 of House Joint Resolution I of the 85th Legislature becomes a part of the constitution as provided in section 1 of article XII of the state constitution of 1963.

This act is ordered to take immediate effect.

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Clerk of the House of Representatives.

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Secretary of the Senate.

Approved.....

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Governor.

