

# HOUSE BILL No. 5422

January 30, 1990, Introduced by Reps. Munsell, Bryant, Van Singel, Kosteva, Sparks, Johnson, Strand, Emmons, Crandall, Gilmer, Law, Camp, Runco, Jaye, Sikkema, Bartnik, Fitzgerald, Oxender, Martin, Wartner, Middaugh, Willis Bullard, Stacey, Palamara, Pridnia, Rocca, Walberg, Niederstadt, Gnodtke, Krause, Gire, Dolan, Weeks, London, Dunaskiss and Kulchitsky and referred to the Committee on Taxation.

A bill to amend sections 520 and 522 of Act No. 281 of the Public Acts of 1967, entitled

"Income tax act 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.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

6 Sec. 520. (1) Subject to the limitations and the  
7 definitions set out in this chapter, a claimant may claim against

1 his or her state income tax otherwise due for the tax year a  
2 credit for the property taxes on the homestead deductible for  
3 federal income taxes pursuant to section 164 of the internal rev-  
4 enue code, or that would have been deductible if the claimant had  
5 not elected the zero bracket amount or if the claimant had been  
6 subject to the federal income tax. The property taxes used for  
7 the credit computation shall not be greater than the amount  
8 levied for 1 tax year.

9 (2) A person who is renting or leasing a homestead may claim  
10 a similar credit, computed pursuant to section 522, that shall be  
11 based upon ~~+7%~~ 20% of the gross rent paid. A person renting or  
12 leasing a homestead subject to a service charge in lieu of ad  
13 valorem taxes as provided by section 15a of the state housing  
14 development authority act of 1966, Act No. 346 of the Public Acts  
15 of 1966, as amended, being section 125.1415a of the Michigan  
16 Compiled Laws, may claim a similar credit, computed pursuant to  
17 section 522, that shall be based upon 10% of the gross rent  
18 paid.

19 (3) If the allowable amount of the ~~claim~~ CREDIT CLAIMED  
20 UNDER THIS SECTION exceeds the state income tax otherwise due for  
21 the tax year or if there is no state income tax due for the tax  
22 year, the amount of the claim not used as an offset against the  
23 state income tax shall, after examination and review, be approved  
24 for payment, without interest, to the claimant. A payment  
25 approved pursuant to this subsection to a claimant eligible for a  
26 credit under subsection (1) shall be made in a check or warrant  
27 exclusive of refunds due for withholdings or other credits

1 allowed by this act. ~~and, in~~ IN determining the amount of this  
2 check or warrant, withholdings and other credits shall be used  
3 first to offset any tax liabilities.

4 (4) If the homestead is an integral part of a multipurpose  
5 or multidwelling building that is federally aided housing or  
6 state aided housing, a claimant who is a senior citizen entitled  
7 to a payment under subsection (2) may assign the right to that  
8 payment to a mortgagor who reduces the rent charged and collected  
9 on the claimant's homestead in an amount equal to the tax credit  
10 payment provided in this chapter. The assignment of the claim  
11 shall be valid only if the Michigan state housing development  
12 authority, by affidavit, verifies that the claimant's rent has  
13 been so reduced.

14 (5) Only the renter or lessee shall claim a credit on prop-  
15 erty that is rented or leased as a homestead.

16 (6) A person who discriminates in the charging or collection  
17 of rent on a homestead by increasing the rent charged or col-  
18 lected because the renter or lessee is claiming and receiving a  
19 credit or payment under this chapter is guilty of a misdemeanor.  
20 Discrimination against a renter claiming and receiving the credit  
21 by reduction of rent on the homestead of a person not claiming or  
22 receiving the credit is a misdemeanor. If discriminatory rents  
23 are charged or collected, each charge and collection of both the  
24 higher and lower payment shall be considered a separate offense.  
25 Each acceptance of a payment of rent shall be considered a sepa-  
26 rate offense.

1       (7) A person who received aid to dependent children payments  
2 pursuant to section 56 of the social welfare act, Act No. 280 of  
3 the Public Acts of 1939, as amended, being section 400.56 of the  
4 Michigan Compiled Laws, or general relief payments pursuant to  
5 sections 55 and 55a of the social welfare act, Act No. 280 of the  
6 Public Acts of 1939, as amended, being sections 400.55  
7 and 400.55a of the Michigan Compiled Laws, in the tax year for  
8 which the person is filing a return shall have a credit that is  
9 authorized pursuant to this section and computed pursuant to  
10 section 522 reduced by an amount equal to the product of the  
11 claimant's credit, as computed pursuant to section 522, multi-  
12 plied by the quotient of the sum of the claimant's aid to depen-  
13 dent children payments and general relief payments for the tax  
14 year divided by the claimant's household income. The reduction  
15 of credit shall not exceed the sum of the aid to dependent chil-  
16 dren payments and general relief payments for the tax year. For  
17 the purposes of this subsection, aid to dependent children pay-  
18 ments ~~shall~~ DO not include child support payments that offset  
19 or reduce payments made to the claimant. This subsection applies  
20 only to the 1980 through the 1989 tax years.

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

26       (9) If the credit permitted by subsection (2), which is  
27 calculated pursuant to section 522 and adjusted pursuant to

1 ~~subsections~~ SUBSECTION (7) ~~and~~ OR (8), does not provide to a  
2 senior citizen who is renting or leasing a homestead that amount  
3 attributable to rent that constitutes more than the following  
4 percentage of the household income of the senior citizen, the  
5 senior citizen may claim a credit based upon the amount of house-  
6 hold income attributable to rent as provided by this section,  
7 subject to the limitations of this section:

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

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

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

12 (10) For tax years commencing after December 31, 1981, a  
13 senior citizen whose gross rent paid for the tax year is more  
14 than the percentage of household income specified in subsection  
15 (9) for the respective tax year may claim a credit for the amount  
16 of rent paid that constitutes more than the percentage of the  
17 household income of the senior citizen specified in subsection  
18 (9) for the respective tax year and that was not provided to the  
19 senior citizen by the credit computed pursuant to section 522 and  
20 adjusted pursuant to ~~subsections~~ SUBSECTION (7) ~~and~~ OR (8).

21 (11) The department may promulgate rules to implement sub-  
22 sections (9) to (16) and may prescribe a table to allow a claim-  
23 ant to determine the credit provided under subsections (9) to  
24 (16) and section 522 in the instruction booklet that accompanies  
25 the respective income tax or property tax credit forms used by  
26 claimants.

1 (12) A senior citizen may claim the credit under subsections  
2 (9) to (16) on the same form as the property tax credit permitted  
3 by subsection (2). The department shall adjust the forms  
4 accordingly.

5 (13) A senior citizen who, after December 31, 1981, moves to  
6 a different rented or leased homestead shall determine, for 2 tax  
7 years after the move, both his or her qualification to claim a  
8 credit under subsections (9) to (16) and the amount of a credit  
9 under subsections (9) to (16) on the basis of the annualized  
10 final monthly rental payment at his or her previous homestead, if  
11 this annualized rental is less than the senior citizen's actual  
12 annual rental payments.

13 (14) For a return of less than 12 months the claim for a  
14 credit under subsections (9) to (16) shall be reduced  
15 proportionately.

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

1       (16) The total credit allowed by ~~subsections (9) to (15)~~  
 2 THIS SECTION and section 522 shall not exceed ~~-\$1,200.00-~~  
 3 \$2,600.00 per year. THE MAXIMUM CREDIT AMOUNT PRESCRIBED BY THIS  
 4 SUBSECTION SHALL BE ADJUSTED EACH TAX YEAR BY MULTIPLYING THE  
 5 AMOUNT FOR THE PREVIOUS TAX YEAR BY THE PERCENTAGE BY WHICH THE  
 6 AVERAGE ALL URBAN DETROIT CONSUMER PRICE INDEX FOR ALL ITEMS FOR  
 7 THE 12 MONTHS ENDING AUGUST 31 OF THE TAX YEAR FOR WHICH THE  
 8 CREDIT IS CLAIMED DIFFERS FROM THAT INDEX'S AVERAGE FOR THE 12  
 9 MONTHS ENDING ON AUGUST 31 OF THE PREVIOUS TAX YEAR AND ADDING  
 10 THAT PRODUCT TO THE PREVIOUS TAX YEAR'S MAXIMUM CREDIT AMOUNT,  
 11 ROUNDING TO THE NEAREST WHOLE DOLLAR.

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

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

16       (a) A claimant ~~, other than a senior citizen, a paraplegic~~  
 17 ~~or quadriplegic, a totally and permanently disabled person, an~~  
 18 ~~eligible serviceperson, an eligible veteran, an eligible widow or~~  
 19 ~~widower, or a blind person,~~ is entitled to a credit against the  
 20 state income tax liability equal to ~~60%~~ 75% of the amount by  
 21 which the property taxes on the homestead, or the credit for  
 22 rental of the homestead for the taxable year, exceeds 3.5% of the  
 23 claimant's ~~total~~ household income for that taxable year.

24       (b) A CLAIMANT WHO IS A senior citizen or a paraplegic or  
 25 quadriplegic is entitled to a credit against the state income tax  
 26 liability for the amount by which the property taxes on the  
 27 homestead, the credit for rental of the homestead, or a service

1 charge in lieu of ad valorem taxes as provided by section 15a of  
 2 the state housing development authority act of 1966, Act No. 346  
 3 of the Public Acts of 1966, as amended, being section 125.1415a  
 4 of the Michigan Compiled Laws, for the taxable year exceeds the  
 5 percentage of the claimant's ~~total~~ household income for that  
 6 taxable year computed as follows:

7	Household income	Percentage
8	Not over <del>\$3,000.00</del> \$4,000.00	.0%
9	Over <del>\$3,000.00</del> \$4,000.00 but not over	
10	<del>\$4,000.00</del> \$5,000.00	1.0%
11	Over <del>\$4,000.00</del> \$5,000.00 but not over	
12	<del>\$5,000.00</del> \$6,000.00	2.0%
13	Over <del>\$5,000.00</del> \$6,000.00 but not over	
14	<del>\$6,000.00</del> \$20,000.00	3.0%
15	Over <del>\$6,000.00</del> \$20,000.00	3.5%

16  
 17 (c) A CLAIMANT WHO IS totally and permanently disabled  
 18 ~~person~~ is entitled to a credit against the state income tax  
 19 liability equal to ~~60%~~ 75% of the amount by which the property  
 20 taxes on the homestead, or the credit for rental of the homestead  
 21 or for a service charge in lieu of ad valorem taxes as provided  
 22 in section 15a of the state housing development authority act of  
 23 1966, being section 125.1415a of the Michigan Compiled Laws, for  
 24 the taxable year, exceeds the percentage of the claimant's  
 25 ~~total~~ household income for that taxable year based on the  
 26 schedule in subdivision (b).

27 (d) ~~An~~ A CLAIMANT WHO IS AN eligible serviceperson,  
 28 eligible veteran, or eligible widow or widower is entitled to a

1 credit against the state income tax liability for a percentage of  
2 the property taxes on the homestead for the taxable year not in  
3 excess of 100% determined as follows:

4 (i) Divide the state equalized value allowance specified in  
5 section 506 by the state equalized value of the homestead or, if  
6 the eligible serviceperson, eligible veteran, or eligible widow  
7 or widower leases or rents a homestead, divide ~~+7%~~ 20% of the  
8 total annual rent paid on the property by the property tax rate  
9 on the property.

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

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

16 (i) If the state equalized value of the homestead is  
17 \$3,500.00 or less, — 100% of the property taxes.

18 (ii) If the state equalized value of the homestead is more  
19 than \$3,500.00, the percentage that \$3,500.00 bears to the state  
20 equalized value of the homestead.

21 (2) A person who is qualified to make a claim ~~in~~ UNDER  
22 more than 1 ~~capacity~~ CLASSIFICATION shall elect the ~~capacity~~  
23 ~~in~~ CLASSIFICATION UNDER which the claim is made.

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

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

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

11 (a) If the state equalized value of the homestead is  
12 \$2,500.00 or less, — 100% of the property taxes.

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

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

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

20 ~~(8) The total credit allowed in this section for a taxable~~  
21 ~~period prior to January 1, 1976, shall not exceed \$500.00 per~~  
22 ~~year and for each year after December 31, 1975, shall not exceed~~  
23 ~~\$1,200.00 per year.~~

24 (8) ~~(9)~~ The total credit allowable under this act and the  
25 farmland and open space preservation act, Act No. 116 of the  
26 Public Acts of 1974, as amended, being sections 554.701 to  
27 554.719 of the Michigan Compiled Laws, shall not exceed the total

1 property tax due and payable by the claimant in that year. The  
2 amount BY WHICH the credit exceeds the property tax due and pay-  
3 able shall be deducted from the credit claimed under Act No. 116  
4 of the Public Acts of 1974, as amended.

5       Section 2. This amendatory act shall not take effect if  
6 Proposal B is approved by the electors on November 7, 1989 and  
7 becomes a part of the constitution as provided in section 1 of  
8 article XII of the state constitution of 1963.