

HOUSE BILL No. 5547

February 28, 1990, Introduced by Reps. Hart, Palamara, Niederstadt, Scott, Rocca, Brown, Webb, Barns, Porreca, DeBeaussaert, Gire, Pitoniak, Spaniola, Weeks, Murphy, Stopczynski, Bennett, Wallace, Stabenow, Hickner, Emerson, Berman, Profit, Clack, Jonker, Varga, Jacobetti, Stupak, Harrison, Watkins, Alley, Sofio, Owen, Bennane, Hood, O'Neill, Kilpatrick, Kosteva, Joe Young, Jr., Leland and Jondahl and referred to the Committee on Taxation.

A bill to amend sections 512, 520, and 522 of Act No. 281 of the Public Acts of 1967, entitled

"Income tax act of 1967,"

sections 512 and 522 as amended by Act No. 254 of the Public Acts of 1987 and section 520 as amended by Act No. 516 of the Public Acts of 1988, being sections 206.512, 206.520, and 206.522 of the Michigan Compiled Laws; and to add section 259.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 512, 520, and 522 of Act No. 281 of the
2 Public Acts of 1967, sections 512 and 522 as amended by Act
3 No. 254 of the Public Acts of 1987 and section 520 as amended by
4 Act No. 516 of the Public Acts of 1988, being sections 206.512,
5 206.520, and 206.522 of the Michigan Compiled Laws, are amended
6 and section 259 is added to read as follows:

1 SEC. 259. (1) A TAXPAYER WHO IS A SENIOR CITIZEN AND WHOSE
2 HOUSEHOLD INCOME IS LESS THAN \$20,000.00 MAY CLAIM A CREDIT
3 AGAINST THE TAX IMPOSED BY THIS ACT EQUAL TO THE AMOUNT BY WHICH
4 THE TAX LEVIED ON THE TAXPAYER'S HOMESTEAD BY A LOCAL SCHOOL DIS-
5 TRICT FOR LOCAL SCHOOL DISTRICT OPERATING PURPOSES UNDER THE GEN-
6 ERAL PROPERTY TAX ACT, ACT NO. 206 OF THE PUBLIC ACTS OF 1893,
7 BEING SECTIONS 211.1 TO 211.157 OF THE MICHIGAN COMPILED LAWS,
8 EXCEEDS THE MAXIMUM CREDIT AMOUNT ALLOWED UNDER SECTIONS 520 AND
9 522.

10 (2) THE TREASURER SHALL REFUND TO A TAXPAYER, WITHOUT INTER-
11 EST, THE AMOUNT OF THE CREDIT UNDER THIS SECTION NOT USED AS AN
12 OFFSET AGAINST THE TAX OTHERWISE DUE FROM THE TAXPAYER UNDER THIS
13 ACT.

14 (3) AS USED IN THIS SECTION, "HOMESTEAD", "HOUSEHOLD
15 INCOME", AND "SENIOR CITIZEN" MEANS THOSE TERMS AS DEFINED IN
16 CHAPTER 9.

17 Sec. 512. (1) "Paraplegic, HEMIPLEGIC, or quadriplegic"
18 means an individual, or either 1 of 2 persons filing a joint tax
19 return under this act, who is a paraplegic, HEMIPLEGIC, or quad-
20 riplegic at the end of the tax year.

21 (2) "Property taxes" means general ad valorem taxes due and
22 payable for periods after December 31, 1972, levied on a home-
23 stead within this state including property tax administration
24 fees, but not including special assessments unless assessed in
25 the entire city, village, or township, and based on state equal-
26 ized value, penalties, or interest.

1 ~~(3) "Qualified person" means a claimant and any person,~~
2 ~~domiciled in Michigan, who can be claimed as a dependent under~~
3 ~~the internal revenue code and who does not file a claim under~~
4 ~~this act for the same tax year. The term does not include the~~
5 ~~additional exemptions allowed for age or blindness.~~

6 (3) ~~(4)~~ "Renter" means a person renting or leasing a
7 homestead.

8 Sec. 520. (1) Subject to the limitations and the defini-
9 tions set out in this chapter, a claimant may claim against his
10 or her state income tax otherwise due for the tax year a credit
11 for the property taxes on the homestead deductible for federal
12 income taxes pursuant to section 164 of the internal revenue
13 code, or that would have been deductible if the claimant had not
14 elected the zero bracket amount or if the claimant had been
15 subject to the federal income tax. The property taxes used for
16 the credit computation shall not be greater than the amount
17 levied for 1 tax year.

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

1 (3) If the allowable amount of the ~~claim~~ CREDIT CLAIMED
2 UNDER THIS SECTION exceeds the state income tax otherwise due for
3 the tax year or if there is no state income tax due for the tax
4 year, the amount of the claim not used as an offset against the
5 state income tax shall, after examination and review, be approved
6 for payment, without interest, to the claimant. A payment
7 approved pursuant to this subsection to a claimant eligible for a
8 credit under subsection (1) shall be made in a check or warrant
9 exclusive of refunds due for withholdings or other credits
10 allowed by this act. ~~and, in~~ IN determining the amount of this
11 check or warrant, withholdings and other credits shall be used
12 first to offset any tax liabilities.

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

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

25 (6) A person who discriminates in the charging or collection
26 of rent on a homestead by increasing the rent charged or
27 collected because the renter or lessee is claiming and receiving

1 a credit or payment under this chapter is guilty of a
2 misdemeanor. Discrimination against a renter claiming and
3 receiving the credit by reduction of rent on the homestead of a
4 person not claiming or receiving the credit is a misdemeanor. If
5 discriminatory rents are charged or collected, each charge and
6 collection of both the higher and lower payment shall be consid-
7 ered a separate offense. Each acceptance of a payment of rent
8 shall be considered a separate offense.

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

1 or reduce payments made to the claimant. This subsection applies
2 only to the 1980 through the 1989 tax years.

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

8 (9) If the credit permitted by subsection (2), which is cal-
9 culated pursuant to section 522 and adjusted pursuant to
10 ~~subsections~~ SUBSECTION (7) ~~and~~ OR (8), does not provide to a
11 senior citizen who is renting or leasing a homestead that amount
12 attributable to rent that constitutes more than the following
13 percentage of the household income of the senior citizen, the
14 senior citizen may claim a credit based upon the amount of house-
15 hold income attributable to rent as provided by this section,
16 subject to the limitations of this section:

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

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

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

21 (10) For tax years commencing after December 31, 1981, a
22 senior citizen whose gross rent paid for the tax year is more
23 than the percentage of household income specified in subsection
24 (9) for the respective tax year may claim a credit for the amount
25 of rent paid that constitutes more than the percentage of the
26 household income of the senior citizen specified in subsection
27 (9) for the respective tax year and that was not provided to the

1 senior citizen by the credit computed pursuant to section 522 and
2 adjusted pursuant to ~~subsections~~ SUBSECTION (7) ~~and~~ OR (8).

3 (11) The department may promulgate rules to implement sub-
4 sections (9) to (16) and may prescribe a table to allow a claim-
5 ant to determine the credit provided under subsections (9) to
6 (16) and section 522 in the instruction booklet that accompanies
7 the respective income tax or property tax credit forms used by
8 claimants.

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

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

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

24 (15) The Michigan state housing development authority shall
25 report on the effect of the credit provided by subsections (9) to
26 (16) on the price of rented and leased homesteads. If the
27 authority determines that the price of rented and leased

1 homesteads has increased as a result of the credit provided by
 2 subsections (9) to (16), the authority shall make recommendations
 3 to the legislature to remedy this situation. The report shall be
 4 made to the chairpersons of the house and senate committees that
 5 have primary responsibility for taxation legislation 2 years
 6 after the credit provided by subsections (9) to (16) is in
 7 effect.

8 (16) The total credit allowed by ~~subsections (9) to (15)~~
 9 THIS SECTION and section 522 shall not exceed ~~\$1,200.00~~
 10 \$2,600.00 per year.

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

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

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

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

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

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

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

26 (C) ~~(d) An~~ A CLAIMANT WHO IS AN eligible serviceperson,
 27 eligible veteran, or eligible widow or widower is entitled to a
 28 credit against the state income tax liability for a percentage of

1 the property taxes on the homestead for the taxable year not in
2 excess of 100% determined as follows:

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

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

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

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

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

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

23 (3) Only 1 claimant per household for a tax year is entitled
24 to the credit, unless both the husband and wife filing a joint
25 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.