

HOUSE BILL No. 4354

February 21, 1991, Introduced by Reps. Gire, DeBeaussaert, Olshove, DeMars, Ciaramitaro, Jonker, Pitoniak, Kosteva and Rocca and referred to the Committee on Taxation.

A bill to amend sections 30, 512, 520, and 522 of Act No. 281 of the Public Acts of 1967, entitled "Income tax act of 1967," section 30 as amended by Act No. 516 of the Public Acts of 1988, sections 512 and 522 as amended by Act No. 254 of the Public Acts of 1987, and section 520 as amended by Act No. 283 of the Public Acts of 1990, being sections 206.30, 206.512, 206.520, and 206.522 of the Michigan Compiled Laws; and to add sections 280, 281, 282, 283, 284, and 285.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 30, 512, 520, and 522 of Act No. 281 of
2 the Public Acts of 1967, section 30 as amended by Act No. 516 of
3 the Public Acts of 1988, sections 512 and 522 as amended by Act
4 No. 254 of the Public Acts of 1987, and section 520 as amended by
5 Act No. 283 of the Public Acts of 1990, being sections 206.30,

1 206.512, 206.520, and 206.522 of the Michigan Compiled Laws, are
2 amended and sections 280, 281, 282, 283, 284, and 285 are added
3 to read as follows:

4 Sec. 30. (1) "Taxable income" MEANS, for a person other
5 than a corporation, estate, or trust, ~~means~~ adjusted gross
6 income as defined in the internal revenue code subject to the
7 following adjustments:

8 (a) Add gross interest income and dividends derived from
9 obligations or securities of states other than Michigan, in the
10 same amount that has been excluded from ~~federal~~ adjusted gross
11 income less related expenses not deducted in computing ~~federal~~
12 adjusted gross income because of section 265(a)(1) of the inter-
13 nal revenue code.

14 (b) Add taxes on or measured by income to the extent the
15 taxes have been deducted in arriving at ~~federal~~ adjusted gross
16 income.

17 (c) Add losses on the sale or exchange of obligations of the
18 United States government, the income of which this state is pro-
19 hibited from subjecting to a net income tax, to the extent that
20 the loss has been deducted in arriving at ~~federal~~ adjusted
21 gross income.

22 (d) Deduct, to the extent included in ~~federal~~ adjusted
23 gross income, income derived from obligations, or the sale or
24 exchange of obligations, of the United States government that
25 this state is prohibited by law from subjecting to a net income
26 tax, reduced by any interest on indebtedness incurred in carrying
27 the obligations and by any expenses incurred in the production of

1 that income to the extent that the expenses, including
2 amortizable bond premiums, were deducted in arriving at ~~federal~~
3 adjusted gross income.

4 (e) Deduct, to the extent included in ~~federal~~ adjusted
5 gross income, compensation, including retirement benefits,
6 received for services in the armed forces of the United States.

7 (f) Deduct THE FOLLOWING to the extent included in adjusted
8 gross income:

9 (i) Retirement or pension benefits received from a public
10 retirement system of or created by this state, ~~or~~ a political
11 subdivision of this state, OR THE UNITED STATES GOVERNMENT.

12 (ii) ~~Any retirement~~ RETIREMENT or pension benefits
13 received from a public retirement system of or created by another
14 state or any of its political subdivisions if the income tax laws
15 of the other state permit a similar deduction or exemption or a
16 reciprocal deduction or exemption of a retirement or pension ben-
17 efit received from a public retirement system of or created by
18 this state or any of the political subdivisions of this state.

19 (iii) Social security benefits as defined in section 86 of
20 the internal revenue code.

21 (iv) Retirement or pension benefits from any other retire-
22 ment or pension system as follows:

23 (A) For a single return, the sum of not more than
24 ~~\$7,500.00~~ \$12,500.00.

25 (B) For a joint return, the sum of not more than
26 ~~\$10,000.00~~ \$25,000.00.

1 (v) The amount determined to be the section 22 amount
2 eligible for the elderly and permanently and totally disabled
3 credit provided in section 22 of the internal revenue code.

4 (g) Adjustments resulting from the application of section
5 271.

6 (h) Adjustments with respect to estate and trust income as
7 provided in section 36.

8 (i) Adjustments resulting from the allocation and apportion-
9 ment provisions of chapter 3.

10 (j) Deduct political contributions as ~~defined~~ DESCRIBED in
11 section 4 of Act No. 388 of the Public Acts of 1976, being sec-
12 tion 169.204 of the Michigan Compiled Laws, or section 301 of
13 title III of the federal election campaign act of 1971, Public
14 Law 92-225, 2 U.S.C. 431, not in excess of \$50.00 per annum, or
15 \$100.00 per annum for a joint return.

16 (k) Deduct, to the extent included in adjusted gross income,
17 wages not deductible under section 280C of the internal revenue
18 code.

19 (l) Deduct the following payments made by the taxpayer in
20 the tax year:

21 (i) The amount of payment made under an advance tuition pay-
22 ment contract as provided in the Michigan education trust act,
23 Act No. 316 of the Public Acts of 1986, being sections 390.1421
24 to 390.1444 of the Michigan Compiled Laws.

25 (ii) The amount of payment made under a contract with a pri-
26 vate sector investment manager that meets all of the following
27 criteria:

1 (A) The contract is certified and approved by the board of
2 directors of the Michigan education trust to provide equivalent
3 benefits and rights to purchasers and beneficiaries as an advance
4 tuition payment contract as described in subparagraph (i).

5 (B) The contract applies only for a state institution of
6 higher education as defined in the Michigan education trust act,
7 Act No. 316 of the Public Acts of 1986, or a community or junior
8 college in Michigan.

9 (C) The contract provides for enrollment by the contract's
10 qualified beneficiary in not less than 4 years after the date on
11 which the contract is entered into.

12 (D) The contract is entered into AFTER either OF THE
13 FOLLOWING:

14 (I) ~~After the~~ THE purchaser has had his or her offer to
15 enter into an advance tuition payment contract rejected by the
16 board OF DIRECTORS OF THE MICHIGAN EDUCATION TRUST, if the board
17 determines that the trust cannot accept an unlimited number of
18 enrollees upon an actuarially sound basis.

19 (II) ~~After the~~ THE board OF DIRECTORS OF THE MICHIGAN EDU-
20 CATION TRUST determines that the trust can accept an unlimited
21 number of enrollees upon an actuarially sound basis.

22 (m) If an advance tuition payment contract under the
23 Michigan education trust act, Act No. 316 of the Public Acts of
24 1986, or another contract for which the payment was deductible
25 under subdivision (l) is terminated and the qualified beneficiary
26 under that contract does not attend a university, college, junior
27 or community college, or other institution of higher education,

1 add the amount of a refund received by the taxpayer as a result
2 of that termination ~~which amount shall be the lesser of the~~
3 ~~amount of the refund~~ or the amount of the deduction taken under
4 subdivision (1) for payment made under that contract, WHICHEVER
5 IS LESS.

6 (n) Deduct from the taxable income of a purchaser the amount
7 included as income to the purchaser under the internal revenue
8 code after the advance tuition payment contract entered into
9 under the Michigan education trust act, Act No. 316 of the Public
10 Acts of 1986, is terminated because the qualified beneficiary
11 attends an institution of postsecondary education other than
12 either a state institution of higher education or an institution
13 of postsecondary education located outside this state with which
14 a state institution of higher education has reciprocity.

15 (o) Add, to the extent deducted in determining ~~federal~~
16 adjusted gross income, the net operating loss deduction under
17 section 172 of the internal revenue code.

18 (p) Deduct a net operating loss deduction for the taxable
19 year as defined in section 172 of the internal revenue code
20 subject to the modifications under section 172(b)(2) of the
21 internal revenue code and subject to the allocation and appor-
22 tionment provisions of chapter 3 of this act for the taxable year
23 in which the loss was incurred.

24 (q) For a tax year beginning after 1986, deduct, to the
25 extent included in adjusted gross income, benefits from a dis-
26 criminatory self-insurance medical expense reimbursement plan.

1 (2) ~~For a tax year beginning during 1987, a personal~~
 2 ~~exemption of \$1,600.00; for a tax year beginning during 1988, a~~
 3 ~~personal exemption of \$1,800.00; for a tax year beginning during~~
 4 ~~1989, a personal exemption of \$2,000.00; and for a tax year~~
 5 ~~beginning after 1989, a personal exemption of \$2,100.00 times~~
 6 THE FOLLOWING PERSONAL EXEMPTIONS MULTIPLIED BY the number of
 7 personal or dependency exemptions allowable on the taxpayer's
 8 federal income tax return pursuant to the internal revenue code
 9 shall be subtracted from taxable income:

10 (A) FOR A TAX YEAR BEGINNING DURING 1987..... \$1,600.00.

11 (B) FOR A TAX YEAR BEGINNING DURING 1988..... \$1,800.00.

12 (C) FOR A TAX YEAR BEGINNING DURING 1989..... \$2,000.00.

13 (D) FOR A TAX YEAR BEGINNING AFTER 1989..... \$2,100.00.

14 (3) A single additional exemption of \$1,400.00 for a tax
 15 year beginning during 1987, \$1,200.00 for a tax year beginning
 16 during 1988, \$1,000.00 for a tax year beginning during 1989,
 17 ~~and~~ \$900.00 for a tax year beginning ~~after 1989~~ DURING 1990,
 18 AND \$1,500.00 FOR A TAX YEAR BEGINNING AFTER 1990 is allowed for
 19 each of the following:

20 (a) The taxpayer is a paraplegic, a quadriplegic, a hemiple-
 21 gic, a person who is blind as defined in section 504, or a
 22 totally and permanently disabled person as defined in section
 23 522.

24 (b) The taxpayer is a deaf person as defined in section 2 of
 25 the deaf persons' interpreters act, Act No. 204 of the Public

1 Acts of 1982, being section 393.502 of the Michigan Compiled
2 Laws.

3 (c) The taxpayer is ~~a person who is~~ 65 years of age or
4 older.

5 (d) The return includes unemployment compensation that
6 amounts to 50% or more of adjusted gross income.

7 (4) For a tax year beginning after 1987, an individual with
8 respect to whom a deduction under section 151 of the internal
9 revenue code is allowable to another federal taxpayer during the
10 tax year is not considered to have an allowable federal exemption
11 for purposes of subsection (2), but may deduct \$500.00 from tax-
12 able income for a tax year beginning in 1988 and \$1,000.00 for a
13 tax year beginning after 1988.

14 (5) A nonresident or a part-year resident is allowed that
15 proportion of an exemption or deduction allowed under subsection
16 (2), (3), or (4) that the taxpayer's income from Michigan sources
17 bears to the total income from all sources.

18 (6) For a tax year beginning after 1987, in calculating tax-
19 able income, a taxpayer shall not subtract from adjusted gross
20 income the amount of prizes won by the taxpayer under the
21 McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No. 239 of
22 the Public Acts of 1972, being sections 432.1 to 432.47 of the
23 Michigan Compiled Laws.

24 (7) IN ADDITION TO OTHER EXEMPTION AMOUNTS FOR WHICH THE
25 TAXPAYER IS ELIGIBLE UNDER THIS SECTION, A TAXPAYER WHO WAS ELI-
26 GIBLE FOR THE SINGLE ADDITIONAL EXEMPTION ALLOWED UNDER
27 SUBSECTION (3) FOR A TAX YEAR BEGINNING DURING 1987 MAY CLAIM AN

1 EXEMPTION OF \$100.00 FOR A TAX YEAR BEGINNING IN 1990. IN
2 ADDITION TO OTHER EXEMPTION AMOUNTS FOR WHICH THE TAXPAYER IS
3 ELIGIBLE UNDER THIS SECTION, A TAXPAYER WHO WAS ELIGIBLE FOR THE
4 SINGLE ADDITIONAL EXEMPTION ALLOWED UNDER SUBSECTION (3) FOR A
5 TAX YEAR BEGINNING DURING 1988 MAY CLAIM AN EXEMPTION OF \$300.00
6 FOR A TAX YEAR BEGINNING IN 1990. IN ADDITION TO OTHER EXEMPTION
7 AMOUNTS FOR WHICH THE TAXPAYER IS ELIGIBLE UNDER THIS SECTION, A
8 TAXPAYER WHO WAS ELIGIBLE FOR THE SINGLE ADDITIONAL EXEMPTION
9 ALLOWED UNDER SUBSECTION (3) FOR A TAX YEAR BEGINNING DURING 1989
10 MAY CLAIM AN EXEMPTION OF \$300.00 FOR A TAX YEAR BEGINNING IN
11 1990.

12 SEC. 280. AS USED IN THIS SECTION AND SECTIONS 281 TO 284:

13 (A) "ADDITIONS", "INFLATION RATE", AND "LOSSES" MEAN THOSE
14 TERMS AS DEFINED IN SECTION 34D OF THE GENERAL PROPERTY TAX ACT,
15 ACT NO. 206 OF THE PUBLIC ACTS OF 1893, BEING SECTION 211.34D OF
16 THE MICHIGAN COMPILED LAWS.

17 (B) "COMPOUND CREDIT FRACTION" MEANS THE APPLICABLE 1 OF THE
18 FOLLOWING, BUT NOT GREATER THAN 1:

19 (i) FOR 1991, THE 1991 CREDIT FRACTION.

20 (ii) IF THE HOMESTEAD WAS SOLD IN THE PRECEDING TAX YEAR,
21 THE CURRENT YEAR'S CREDIT FRACTION.

22 (iii) UNLESS SUBPARAGRAPH (ii) APPLIES, FOR A TAX YEAR
23 BEGINNING AFTER 1991, THE CURRENT YEAR'S CREDIT FRACTION MULTI-
24 PLIED BY THE PRECEDING YEAR'S COMPOUND CREDIT FRACTION FOR THAT
25 HOMESTEAD.

26 (C) "CREDIT FRACTION" MEANS A FRACTION THE NUMERATOR OF
27 WHICH IS THE RESULT ARRIVED AT BY MULTIPLYING THE REMAINDER OF

1 THE PRECEDING YEAR'S TOTAL STATEWIDE STATE EQUALIZED VALUATION
2 FOR RESIDENTIAL PROPERTY MINUS LOSSES FOR RESIDENTIAL PROPERTY BY
3 THE INFLATION RATE AND THE DENOMINATOR OF WHICH IS THE CURRENT
4 YEAR'S TOTAL STATEWIDE STATE EQUALIZED VALUATION FOR RESIDENTIAL
5 PROPERTY MINUS ADDITIONS FOR RESIDENTIAL PROPERTY.

6 (D) "HOMESTEAD" AND "HOUSEHOLD INCOME" MEAN THOSE TERMS AS
7 DEFINED IN CHAPTER 9.

8 (E) "LIMITED STATE EQUALIZED VALUATION" MEANS, FOR A TAX
9 YEAR, THE SUM, BUT NOT MORE THAN THE SAME YEAR'S STATE EQUALIZED
10 VALUATION, OF THE VALUE OF THE HOMESTEAD REPORTED AS NEW FOR
11 ASSESSMENT PURPOSES AND THE APPLICABLE 1 OF THE FOLLOWING:

12 (i) FOR A TAX YEAR BEGINNING IN 1991, THE HOMESTEAD'S 1990
13 STATE EQUALIZED VALUATION ADJUSTED BY THE INFLATION RATE.

14 (ii) IF THE HOMESTEAD WAS SOLD IN THE PRECEDING TAX YEAR,
15 THE STATE EQUALIZED VALUATION FOR THAT PRECEDING TAX YEAR
16 ADJUSTED BY THE INFLATION RATE.

17 (iii) UNLESS SUBPARAGRAPH (ii) APPLIES, FOR A TAX YEAR
18 BEGINNING AFTER 1991, THE HOMESTEAD'S LIMITED STATE EQUALIZED
19 VALUATION FOR THE PRECEDING TAX YEAR ADJUSTED BY THE INFLATION
20 RATE.

21 (F) "NOTICE" MEANS THE NOTICE REQUIRED TO BE GIVEN UNDER
22 SECTION 24C OF THE GENERAL PROPERTY TAX ACT, ACT NO. 206 OF THE
23 PUBLIC ACTS OF 1893, BEING SECTION 211.24C OF THE MICHIGAN
24 COMPILED LAWS.

25 (G) "RESIDENTIAL PROPERTY" MEANS PROPERTY CLASSIFIED AS RES-
26 IDENTIAL UNDER SECTION 34C OF THE GENERAL PROPERTY TAX ACT, ACT

1 NO. 206 OF THE PUBLIC ACTS OF 1893, BEING SECTION 211.34C OF THE
2 MICHIGAN COMPILED LAWS.

3 (H) "SCHOOL PROPERTY TAX" MEANS TAX LEVIED BY A LOCAL SCHOOL
4 DISTRICT FOR LOCAL SCHOOL DISTRICT OPERATING PURPOSES UNDER THE
5 GENERAL PROPERTY TAX ACT, ACT NO. 206 OF THE PUBLIC ACTS OF 1893,
6 BEING SECTIONS 211.1 TO 211.157 OF THE MICHIGAN COMPILED LAWS.

7 SEC. 281. (1) SUBJECT TO THE CONDITIONS, REDUCTIONS, AND
8 LIMITATIONS PROVIDED IN SECTIONS 280 TO 284, AN INDIVIDUAL WHO
9 OWNS AND OCCUPIES A HOMESTEAD MAY CLAIM A CREDIT AGAINST THE TAX
10 IMPOSED BY THIS ACT EQUAL TO SUBSECTION (2) OR (3), WHICHEVER IS
11 GREATER. AN INDIVIDUAL IS NOT ELIGIBLE FOR THE CREDIT PROVIDED
12 FOR IN THIS SECTION UNLESS THE INDIVIDUAL FILES THE INDIVIDUAL'S
13 NOTICE.

14 (2) THE CREDIT UNDER THIS SUBSECTION IS EQUAL TO THE SCHOOL
15 PROPERTY TAX RATE LEVIED ON THE INDIVIDUAL'S HOMESTEAD MULTIPLIED
16 BY THE DIFFERENCE BETWEEN THE STATE EQUALIZED VALUATION OF THE
17 HOMESTEAD AND THE LIMITED STATE EQUALIZED VALUATION OF THE
18 HOMESTEAD.

19 (3) THE CREDIT UNDER THIS SUBSECTION IS EQUAL TO THE PRODUCT
20 OF 1 MINUS THE COMPOUND CREDIT FRACTION FOR THE HOMESTEAD MULTI-
21 PLIED BY THE SCHOOL PROPERTY TAX DUE ON THE HOMESTEAD. THE
22 CREDIT UNDER THIS SUBSECTION SHALL NOT EXCEED THE RESULT ARRIVED
23 AT BY SUBTRACTING THE SUM OF THE CREDIT AMOUNTS FOR THAT HOME-
24 STEAD UNDER SUBSECTION (2) FOR WHICH THE INDIVIDUAL WAS OR WOULD
25 HAVE BEEN ELIGIBLE IN ALL YEARS, NOT INCLUDING THE CURRENT YEAR,
26 IN WHICH THE INDIVIDUAL QUALIFIED FOR A CREDIT FROM THE SUM OF
27 THE CREDIT AMOUNTS FOR THAT HOMESTEAD UNDER THIS SUBSECTION FOR

1 WHICH THE INDIVIDUAL WAS OR WOULD HAVE BEEN ELIGIBLE IN ALL
2 YEARS, INCLUDING THE CURRENT YEAR, IN WHICH THE INDIVIDUAL QUALI-
3 FIED FOR A CREDIT.

4 (4) THE AMOUNT OF PROPERTY TAXES USED TO CALCULATE THE
5 CREDIT UNDER SECTIONS 520 AND 522 SHALL BE REDUCED BY THE AMOUNT
6 OF THE CREDIT PROVIDED FOR IN THIS SECTION.

7 SEC. 282. (1) THE CREDIT PROVIDED FOR IN SECTION 281 SHALL
8 BE REDUCED BY THE APPLICABLE 1 OF THE FOLLOWING:

9 (A) FOR A HOMESTEAD PURCHASED BEFORE 1991, IF THE 1990 STATE
10 EQUALIZED VALUATION OF THE HOMESTEAD EXCEEDS \$75,000.00, 10% AND
11 AN ADDITIONAL 10% FOR EACH INCREMENT OF \$2,500.00 BY WHICH THE
12 1990 STATE EQUALIZED VALUATION EXCEEDS \$75,000.00.

13 (B) FOR A HOMESTEAD PURCHASED AFTER 1990, IF THE STATE
14 EQUALIZED VALUATION OF THE HOMESTEAD IN THE YEAR OF PURCHASE
15 EXCEEDS \$75,000.00 ADJUSTED BY THE INFLATION RATE EACH YEAR AFTER
16 1990, 10% AND AN ADDITIONAL 10% FOR EACH INCREMENT OF \$2,500.00,
17 ADJUSTED BY THE INFLATION RATE EACH YEAR AFTER 1990, BY WHICH THE
18 1990 STATE EQUALIZED VALUATION EXCEEDS \$75,000.00. THE REDUCTION
19 PERCENTAGE CALCULATED UNDER THIS SUBDIVISION APPLIES IN THE YEAR
20 AFTER THE PURCHASE AND, WITHOUT RECALCULATION, THROUGH THE YEAR
21 OF THE NEXT PURCHASE OF THE HOMESTEAD, AT WHICH TIME THE REDUC-
22 TION PERCENTAGE SHALL BE RECALCULATED FOR APPLICATION TO THAT
23 NEXT PURCHASE.

24 (2) IF THE INDIVIDUAL'S HOUSEHOLD INCOME FOR THE PRECEDING
25 TAX YEAR EXCEEDS \$73,650.00, THE CREDIT PROVIDED FOR IN SECTION
26 281 SHALL BE REDUCED BY 10% AND BY AN ADDITIONAL 10% FOR EACH

1 INCREMENT OF \$1,000.00 BY WHICH THE PRECEDING YEAR'S HOUSEHOLD
2 INCOME EXCEEDS \$73,650.00.

3 SEC. 283. (1) THE STATE TAX COMMISSION, CREATED BY ACT
4 NO. 360 OF THE PUBLIC ACTS OF 1927, BEING SECTIONS 209.101 TO
5 209.107 OF THE MICHIGAN COMPILED LAWS, SHALL DETERMINE THE CREDIT
6 FRACTION FOR 1991 AND, AFTER 1991, SHALL DETERMINE THE CREDIT
7 FRACTION FOR EACH YEAR AND THE COMPOUND CREDIT FRACTION FOR EACH
8 YEAR APPLICABLE TO THE HOMESTEAD OF EACH INDIVIDUAL ELIGIBLE FOR
9 A CREDIT PROVIDED FOR IN SECTION 281.

10 (2) IF, BEFORE APRIL 30, AN INDIVIDUAL WHO IS ELIGIBLE FOR
11 THE CREDIT PROVIDED FOR IN SECTION 281 FILES WITH THE STATE TREA-
12 SURER THE NOTICE, THE COMMISSIONER SHALL COMPUTE THE CREDIT PRO-
13 VIDED FOR IN SECTION 281, AND THE CREDIT SHALL BE APPLIED AND
14 DISBURSED FOR THAT TAX YEAR. THE CREDIT AMOUNT PROVIDED FOR IN
15 SECTION 281 MAY EXCEED THE INDIVIDUAL'S TAX LIABILITY UNDER THIS
16 ACT. IF AN INDIVIDUAL HAS AN UNPAID TAX LIABILITY UNDER THIS
17 ACT, THE COMMISSIONER SHALL APPLY THE CREDIT PROVIDED FOR IN SEC-
18 TION 281 FOR A TAX YEAR SUBSEQUENT TO THE YEAR IN WHICH THE
19 LIABILITY ARISES AGAINST THE AMOUNT OF THE UNPAID LIABILITY
20 BEFORE THE STATE TREASURER CERTIFIES AND DISBURSES THE CREDIT AS
21 PAYMENT OF A PORTION OF THE SCHOOL PROPERTY TAX AS PROVIDED IN
22 SECTION 284.

23 (3) THE FILING OF THE NOTICE IS AN ASSIGNMENT OF THE CREDIT
24 AMOUNT TO THE STATE FOR PAYMENT OF AN OUTSTANDING LIABILITY UNDER
25 THIS ACT OR DISBURSEMENT TO THE INDIVIDUAL'S LOCAL SCHOOL DIS-
26 TRICT AS A PORTION OF THE SCHOOL PROPERTY TAX DUE ON THE
27 HOMESTEAD AS PROVIDED IN SECTION 284.

1 SEC. 284. (1) BEFORE SEPTEMBER 1 FOR THE PORTION OF A
2 CREDIT PROVIDED FOR IN SECTION 281 APPLICABLE TO A SUMMER SCHOOL
3 PROPERTY TAX LEVY AND BEFORE DECEMBER 15 FOR THE PORTION OF THE
4 CREDIT APPLICABLE TO A WINTER SCHOOL PROPERTY TAX LEVY, THE STATE
5 TREASURER SHALL SEND ALL OF THE FOLLOWING:

6 (A) A CERTIFICATION TO THE INDIVIDUAL ENTITLED TO THE CREDIT
7 STATING THE AMOUNT OF THE CREDIT BEING APPLIED AS A PAYMENT OF A
8 PORTION OF THE SCHOOL PROPERTY TAX.

9 (B) A LIST TO THE TREASURER OF THE LOCAL TAX COLLECTING UNIT
10 CERTIFYING EACH ELIGIBLE INDIVIDUAL'S NAME WITH THE CORRESPONDING
11 CREDIT AMOUNT AND PARCEL IDENTIFICATION NUMBER OR LEGAL DESCRIP-
12 TION FOR EACH CREDIT PROVIDED FOR IN SECTION 281 THAT IS BEING
13 APPLIED AS A PAYMENT OF A PORTION OF THE SCHOOL PROPERTY TAX ON
14 THE INDIVIDUAL'S HOMESTEAD.

15 (C) IF A DESIGNATED AGENT IS IDENTIFIED ON AN INDIVIDUAL'S
16 NOTICE, A CERTIFICATION OF THE CREDIT TO THAT DESIGNATED AGENT.

17 (2) BEFORE SEPTEMBER 14 FOR THE PORTION OF THE CREDITS PRO-
18 VIDED FOR IN SECTION 281 APPLICABLE TO A SUMMER SCHOOL PROPERTY
19 TAX LEVY AND BEFORE FEBRUARY 14 FOR THE PORTION OF THE CREDITS
20 APPLICABLE TO A WINTER SCHOOL PROPERTY TAX LEVY, THE STATE TREA-
21 SURER SHALL DISTRIBUTE TO THE LOCAL SCHOOL DISTRICT THAT LEVIES
22 THE SCHOOL PROPERTY TAX ON THE HOMESTEADS THE BALANCE OF THE
23 ASSIGNED CREDIT AMOUNTS AFTER APPLICATION OF THE CREDITS AGAINST
24 UNPAID TAX LIABILITIES AS PROVIDED IN SECTION 283.

25 SEC. 285. SECTIONS 280 TO 284 APPLY TO TAX YEARS BEGINNING
26 AFTER 1990.

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

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

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

16 (3) ~~(4)~~ "Renter" means a person renting or leasing a
17 homestead.

18 Sec. 520. (1) Subject to the limitations and the defini-
19 tions set out in this chapter, a claimant may claim against his
20 or her state income tax otherwise due for the tax year a credit
21 for the property taxes on the homestead deductible for federal
22 income taxes pursuant to section 164 of the internal revenue
23 code, or that would have been deductible if the claimant had not
24 elected the zero bracket amount or if the claimant had been
25 subject to the federal income tax. The property taxes used for
26 the credit computation shall not be greater than the amount
27 levied for 1 tax year.

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

11 (3) If the allowable amount of the credit claimed under this
12 section exceeds the state income tax otherwise due for the tax
13 year or if there is no state income tax due for the tax year, the
14 amount of the claim not used as an offset against the state
15 income tax shall, after examination and review, be approved for
16 payment, without interest, to the claimant. A payment approved
17 pursuant to this subsection to a claimant eligible for a credit
18 under subsection (1) shall be made in a check or warrant exclu-
19 sive of refunds due for withholdings or other credits allowed by
20 this act. In determining the amount of this check or warrant,
21 withholdings and other credits shall be used first to offset any
22 tax liabilities.

23 (4) If the homestead is an integral part of a multipurpose
24 or multidwelling building that is federally aided housing or
25 state aided housing, a claimant who is a senior citizen entitled
26 to a payment under subsection (2) may assign the right to that
27 payment to a mortgagor who reduces the rent charged and collected

1 on the claimant's homestead in an amount equal to the tax credit
2 payment provided in this chapter. The assignment of the claim
3 shall be valid only if the Michigan state housing development
4 authority, by affidavit, verifies that the claimant's rent has
5 been so reduced.

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

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

19 (7) A person who received aid to dependent children payments
20 pursuant to section 56 of the social welfare act, Act No. 280 of
21 the Public Acts of 1939, as amended, being section 400.56 of the
22 Michigan Compiled Laws, or general assistance pursuant to
23 sections 55 and 55a of the social welfare act, Act No. 280 of the
24 Public Acts of 1939, as amended, being sections 400.55
25 and 400.55a of the Michigan Compiled Laws, in the tax year for
26 which the person is filing a return shall have a credit that is
27 authorized pursuant to this section and computed pursuant to

1 section 522 reduced by an amount equal to the product of the
2 claimant's credit, as computed pursuant to section 522, multi-
3 plied by the quotient of the sum of the claimant's aid to depen-
4 dent children payments and general assistance for the tax year
5 divided by the claimant's household income. The reduction of
6 credit shall not exceed the sum of the aid to dependent children
7 payments and general assistance for the tax year. For the pur-
8 poses of this subsection, aid to dependent children payments do
9 not include child support payments that offset or reduce payments
10 made to the claimant. This subsection applies only to the 1980
11 through the 1991 tax years.

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

17 (9) If the credit permitted by subsection (2), that is cal-
18 culated pursuant to section 522 and adjusted pursuant to subsec-
19 tion (7) or (8), does not provide to a senior citizen who is
20 renting or leasing a homestead that amount attributable to rent
21 that constitutes more than the following percentage of the house-
22 hold income of the senior citizen, the senior citizen may claim a
23 credit based upon the amount of household income attributable to
24 rent as provided by this section, subject to the limitations of
25 this section:

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

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

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

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

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

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

23 (13) A senior citizen who, after December 31, 1981, moves to
24 a different rented or leased homestead shall determine, for 2 tax
25 years after the move, both his or her qualification to claim a
26 credit under subsections (9) to (16) and the amount of a credit
27 under subsections (9) to (16) on the basis of the annualized

1 final monthly rental payment at his or her previous homestead, if
2 this annualized rental is less than the senior citizen's actual
3 annual rental payments.

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

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

18 (16) The total credit allowed by ~~subsections (9) to (15)~~
19 THIS SECTION and section 522 shall not exceed ~~\$1,200.00~~
20 \$2,600.00 per year.

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

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

25 (a) A claimant ~~, other than a senior citizen, a paraplegic~~
26 ~~or quadriplegic, a totally and permanently disabled person, an~~
27 ~~eligible serviceperson, an eligible veteran, an eligible widow or~~

1 ~~widower, or a blind person,~~ is entitled to a credit against the
 2 state income tax liability equal to ~~60%~~ 75% of the amount by
 3 which the property taxes on the homestead, or the credit for
 4 rental of the homestead for the taxable year, exceeds 3.5% of the
 5 claimant's ~~total~~ household income for that taxable year.

6 (b) A CLAIMANT WHO IS A senior citizen, ~~or~~ WHO IS a
 7 paraplegic, HEMIPLEGIC, or quadriplegic, OR WHO IS TOTALLY AND
 8 PERMANENTLY DISABLED is entitled to a credit against the state
 9 income tax liability for the amount by which the property taxes
 10 on the homestead, the credit for rental of the homestead, or a
 11 service charge in lieu of ad valorem taxes as provided by section
 12 15a of the state housing development authority act of 1966, Act
 13 No. 346 of the Public Acts of 1966, as amended, being section
 14 125.1415a of the Michigan Compiled Laws, for the taxable year
 15 exceeds the percentage of the claimant's ~~total~~ household income
 16 for that taxable year computed as follows:

| 17 | Household income | Percentage |
|----|--|------------|
| 18 | Not over \$3,000.00 \$4,000.00 | .0% |
| 19 | Over \$3,000.00 \$4,000.00 but not over | |
| 20 | \$4,000.00 \$5,000.00 | 1.0% |
| 21 | Over \$4,000.00 \$5,000.00 but not over | |
| 22 | \$5,000.00 \$6,000.00 | 2.0% |
| 23 | Over \$5,000.00 \$6,000.00 but not over | |
| 24 | \$6,000.00 \$20,000.00 | 3.0% |
| 25 | Over \$6,000.00 \$20,000.00 | 3.5% |

26
 27 ~~(c) A totally and permanently disabled person is entitled~~
 28 ~~to a credit against the state income tax liability equal to 60%~~

~~1 of the amount by which the property taxes on the homestead, or~~
~~2 the credit for rental of the homestead or for a service charge in~~
~~3 lieu of ad valorem taxes as provided in section 15a of the state~~
~~4 housing development authority act of 1966, being section~~
~~5 125.1415a of the Michigan Compiled Laws, for the taxable year,~~
~~6 exceeds the percentage of the claimant's total household income~~
~~7 for that taxable year based on the schedule in subdivision (b).~~

8 (C) ~~(d) An~~ A CLAIMANT WHO IS AN eligible serviceperson,
 9 eligible veteran, or eligible widow or widower is entitled to a
 10 credit against the state income tax liability for a percentage of
 11 the property taxes on the homestead for the taxable year not in
 12 excess of 100% determined as follows:

13 (i) Divide the state equalized value allowance specified in
 14 section 506 by the state equalized value of the homestead or, if
 15 the eligible serviceperson, eligible veteran, or eligible widow
 16 or widower leases or rents a homestead, divide ~~+7%~~ 20% of the
 17 total annual rent paid on the property by the property tax rate
 18 on the property.

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

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

25 (i) If the state equalized value of the homestead is
 26 \$3,500.00 or less, — 100% of the property taxes.

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

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

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

10 (4) As used in this section, "totally and permanently
11 disabled" means disability as defined in section 216 of title II
12 of the social security act, CHAPTER 531, 49 STAT. 620, 42 U.S.C.
13 416.

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

21 (a) If the state equalized value of the homestead is
22 \$2,500.00 or less, — 100% of the property taxes.

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

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

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

3 ~~(8) The total credit allowed in this section for a taxable~~
4 ~~period prior to January 1, 1976, shall not exceed \$500.00 per~~
5 ~~year and for each year after December 31, 1975, shall not exceed~~
6 ~~\$1,200.00 per year.~~

7 (8) ~~(9)~~ The total credit allowable under this act and the
8 farmland and open space preservation act, Act No. 116 of the
9 Public Acts of 1974, as amended, being sections 554.701 to
10 554.719 of the Michigan Compiled Laws, shall not exceed the total
11 property tax due and payable by the claimant in that year. The
12 amount BY WHICH the credit exceeds the property tax due and pay-
13 able shall be deducted from the credit claimed under Act No. 116
14 of the Public Acts of 1974, as amended.

15 Section 2. This amendatory act shall not take effect unless
16 Senate Bill No. _____ or House Bill No. _____ (request
17 no. 00925'91 a) of the 86th Legislature is enacted into law.