

HOUSE BILL No. 4404

February 28, 1991, Introduced by Rep. Porreca 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. 283 of the Public Acts of 1990 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. 283 of the
3 Public Acts of 1990 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 17% of the gross rent paid. A person renting or leas-
12 ing a homestead subject to a service charge in lieu of ad valorem
13 taxes as provided by section 15a of the state housing development
14 authority act of 1966, Act No. 346 of the Public Acts of 1966, as
15 amended, being section 125.1415a of the Michigan Compiled Laws,
16 may claim a similar credit, computed pursuant to section 522,
17 that shall be based upon 10% of the gross rent paid.

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

1 withholdings and other credits shall be used first to offset any
2 tax liabilities.

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

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

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

26 (7) A person who received aid to dependent children payments
27 pursuant to section 56 of the social welfare act, Act No. 280 of

1 the Public Acts of 1939, as amended, being section 400.56 of the
2 Michigan Compiled Laws, or general assistance pursuant to
3 sections 55 and 55a of the social welfare act, Act No. 280 of the
4 Public Acts of 1939, as amended, being sections 400.55
5 and 400.55a of the Michigan Compiled Laws, in the tax year for
6 which the person is filing a return shall have a credit that is
7 authorized pursuant to this section and computed pursuant to
8 section 522 reduced by an amount equal to the product of the
9 claimant's credit, as computed pursuant to section 522, multi-
10 plied by the quotient of the sum of the claimant's aid to depen-
11 dent children payments and general assistance for the tax year
12 divided by the claimant's household income. The reduction of
13 credit shall not exceed the sum of the aid to dependent children
14 payments and general assistance for the tax year. For the pur-
15 poses of this subsection, aid to dependent children payments do
16 not include child support payments that offset or reduce payments
17 made to the claimant. This subsection applies only to the 1980
18 through the 1991 tax years.

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

24 (9) If the credit permitted by subsection (2), that is cal-
25 culated pursuant to section 522 and adjusted pursuant to subsec-
26 tion (7) or (8), does not provide to a senior citizen who is
27 renting or leasing a homestead that amount attributable to rent

1 that constitutes more than the following percentage of the
2 household income of the senior citizen, the senior citizen may
3 claim a credit based upon the amount of household income attrib-
4 utable to rent as provided by this section, subject to the limi-
5 tations of this section:

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

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

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

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

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

25 (12) A senior citizen may claim the credit under subsections
26 (9) to (16) on the same form as the property tax credit permitted

1 by subsection (2). The department shall adjust the forms
2 accordingly.

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

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

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

25 (16) The total credit allowed ~~by subsections (9) to (15)~~
26 UNDER THIS SECTION and section 522 shall not exceed ~~\$1,200.00~~
27 \$4,000.00 per year.

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

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

5 (a) A claimant ~~, other than a senior citizen, a paraplegic~~
6 ~~or quadriplegic, a totally and permanently disabled person, an~~
7 ~~eligible serviceperson, an eligible veteran, an eligible widow or~~
8 ~~widower, or a blind person,~~ is entitled to a credit against the
9 state income tax liability equal to ~~60% of~~ the amount by which
10 the property taxes on the homestead, or the credit for rental of
11 the homestead for the taxable year, exceeds 3.5% of the
12 claimant's ~~total~~ household income for that taxable year.

13 (b) A CLAIMANT WHO IS A senior citizen or a paraplegic or
14 quadriplegic is entitled to a credit against the state income tax
15 liability for the amount by which the property taxes on the home-
16 stead, the credit for rental of the homestead, or a service
17 charge in lieu of ad valorem taxes as provided by section 15a of
18 the state housing development authority act of 1966, Act No. 346
19 of the Public Acts of 1966, as amended, being section 125.1415a
20 of the Michigan Compiled Laws, for the taxable year exceeds the
21 percentage of the claimant's ~~total~~ household income for that
22 taxable year computed as follows:

	Household income	Percentage
2	Not over \$3,000.00	0%
3	Over \$3,000.00 but not over \$4,000.00	1.0%
4	Over \$4,000.00 but not over \$5,000.00	2.0%
5	Over \$5,000.00 but not over \$6,000.00	3.0%
6	Over \$6,000.00	3.5%

7 (c) A CLAIMANT WHO IS totally and permanently disabled
8 ~~person~~ is entitled to a credit against the state income tax
9 liability equal to 60% of the amount by which the property taxes
10 on the homestead, or the credit for rental of the homestead or
11 for a service charge in lieu of ad valorem taxes as provided in
12 section 15a of the state housing development authority act of
13 1966, ~~being section 125.1415a of the Michigan Compiled Laws~~ ACT
14 NO. 346 OF THE PUBLIC ACTS OF 1966, for the taxable year, exceeds
15 the percentage of the claimant's ~~total~~ household income for
16 that taxable year based on the schedule in subdivision (b).

17 (d) ~~An~~ A CLAIMANT WHO IS AN eligible serviceperson, eligi-
18 ble veteran, or eligible widow or widower is entitled to a credit
19 against the state income tax liability for a percentage of the
20 property taxes on the homestead for the taxable year not in
21 excess of 100% determined as follows:

22 (i) Divide the state equalized value allowance specified in
23 section 506 by the state equalized value of the homestead or, if
24 the eligible serviceperson, eligible veteran, or eligible widow
25 or widower leases or rents a homestead, divide 17% of the total
26 annual rent paid on the property by the property tax rate on the
27 property.

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

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

7 (i) If the state equalized value of the homestead is
8 \$3,500.00 or less, — 100% of the property taxes.

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

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

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

18 (4) As used in this section, "totally and permanently
19 disabled" means disability as defined in section 216 of title II
20 of the social security act, CHAPTER 531, 49 STAT. 620, 42 U.S.C.
21 416.

22 (5) A senior citizen who has a total household income for
23 the taxable year of \$6,000.00 or less and who for 1973 received a
24 senior citizen homestead exemption under former section 7c of THE
25 GENERAL PROPERTY TAX ACT, Act No. 206 of the Public Acts of 1893,
26 may compute the credit against the state income tax liability for

1 a percentage of the property taxes on the homestead for the
2 taxable year determined as follows:

3 (a) If the state equalized value of the homestead is
4 \$2,500.00 or less, — 100% of the property taxes.

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

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

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

12 ~~(8) The total credit allowed in this section for a taxable~~
13 ~~period prior to January 1, 1976, shall not exceed \$500.00 per~~
14 ~~year and for each year after December 31, 1975, shall not exceed~~
15 ~~\$1,200.00 per year.~~

16 (8) ~~(9)~~ The total credit allowable under this act and the
17 farmland and open space preservation act, Act No. 116 of the
18 Public Acts of 1974, as amended, being sections 554.701 to
19 554.719 of the Michigan Compiled Laws, shall not exceed the total
20 property tax due and payable by the claimant in that year. The
21 amount BY WHICH the credit exceeds the property tax due and pay-
22 able shall be deducted from the credit claimed under THE FARMLAND
23 AND OPEN SPACE PRESERVATION ACT, Act No. 116 of the Public Acts
24 of 1974, as amended.