

SENATE BILL No. 73

February 12, 1991, Introduced by Senators CISKY, POSTHUMUS, VAN REGENMORTER, CARL, EMMONS, ARTHURHULTZ, GEAKE, CRUCE, HONIGMAN, N. SMITH, DI NELLO and DUNASKISS and referred to the Committee on Finance.

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; and to add sections 252 and 473.

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 and sections 252 and 473
6 are added to read as follows:

1 SEC. 252. (1) FOR A TAX YEAR BEGINNING AFTER DECEMBER 31,
2 1990, A SENIOR CITIZEN WHOSE HOUSEHOLD INCOME EXCEEDS \$73,650.00
3 MAY CREDIT AGAINST THE TAX IMPOSED BY THIS ACT AN AMOUNT EQUAL TO
4 THE TAXES LEVIED BY A SCHOOL DISTRICT FOR SCHOOL OPERATING PUR-
5 POSES MULTIPLIED BY THE FOLLOWING PERCENTAGES:

6 (A) FOR THE 1991 TAX YEAR, 50%.

7 (B) FOR THE 1992 TAX YEAR, 75%.

8 (C) FOR THE 1993 TAX YEAR AND EACH TAX YEAR AFTER 1993,
9 100%.

10 (2) THE CREDIT UNDER SUBSECTION (1) SHALL BE REDUCED BY 10%
11 FOR EACH INCREMENT OF \$1,000.00 OF HOUSEHOLD INCOME IN EXCESS OF
12 \$73,650.00.

13 (3) IF THE CREDIT ALLOWED UNDER THIS SECTION EXCEEDS THE TAX
14 LIABILITY FOR THE TAX YEAR, THAT PORTION OF THE CREDIT THAT
15 EXCEEDS THE TAX LIABILITY SHALL BE REFUNDED.

16 (4) AS USED IN THIS SECTION:

17 (A) "SENIOR CITIZEN" MEANS THAT TERM AS DEFINED IN SECTION
18 514.

19 (B) "SCHOOL DISTRICT" MEANS THAT TERM AS DEFINED IN SECTION
20 6 OF THE SCHOOL CODE OF 1976, ACT NO. 451 OF THE PUBLIC ACTS OF
21 1976, BEING SECTION 380.6 OF THE MICHIGAN COMPILED LAWS.

22 SEC. 473. NOTWITHSTANDING THE CONFIDENTIALITY PROVISIONS OF
23 ANY TAX LAWS, THE STATE TREASURER MAY USE RETURNS OR INFORMATION
24 FILED UNDER THIS ACT TO DETERMINE ELIGIBILITY FOR A PROPERTY TAX
25 EXEMPTION UNDER SECTION 27B OF THE GENERAL PROPERTY TAX ACT, ACT
26 NO. 206 OF THE PUBLIC ACTS OF 1893, BEING SECTION 211.27B OF THE

1 MICHIGAN COMPILED LAWS, AND DISCLOSE THAT ELIGIBILITY
2 DETERMINATION TO THE TREASURER OF EACH LOCAL GOVERNMENTAL UNIT.

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

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

22 (3) If the allowable amount of the credit claimed under this
23 section exceeds the state income tax otherwise due for the tax
24 year or if there is no state income tax due for the tax year, the
25 amount of the claim not used as an offset against the state
26 income tax shall, after examination and review, be approved for
27 payment, without interest, to the claimant. A payment approved

1 pursuant to this subsection to a claimant eligible for a credit
2 under subsection (1) shall be made in a check or warrant exclu-
3 sive of refunds due for withholdings or other credits allowed by
4 this act. In determining the amount of this check or warrant,
5 withholdings and other credits shall be used first to offset any
6 tax liabilities.

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

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

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

1 Each acceptance of a payment of rent shall be considered a
2 separate offense.

3 (7) A person who received aid to dependent children payments
4 pursuant to section 56 of the social welfare act, Act No. 280 of
5 the Public Acts of 1939, as amended, being section 400.56 of the
6 Michigan Compiled Laws, or general assistance pursuant to
7 sections 55 and 55a of the social welfare act, Act No. 280 of the
8 Public Acts of 1939, as amended, being sections 400.55
9 and 400.55a of the Michigan Compiled Laws, in the tax year for
10 which the person is filing a return shall have a credit that is
11 authorized pursuant to this section and computed pursuant to
12 section 522 reduced by an amount equal to the product of the
13 claimant's credit, as computed pursuant to section 522, multi-
14 plied by the quotient of the sum of the claimant's aid to depen-
15 dent children payments and general assistance for the tax year
16 divided by the claimant's household income. The reduction of
17 credit shall not exceed the sum of the aid to dependent children
18 payments and general assistance for the tax year. For the pur-
19 poses of this subsection, aid to dependent children payments do
20 not include child support payments that offset or reduce payments
21 made to the claimant. This subsection applies only to the 1980
22 through the 1991 tax years.

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

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

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

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

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

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

23 (11) The department may promulgate rules to implement sub-
24 sections (9) to (16) and may prescribe a table to allow a claim-
25 ant to determine the credit provided under subsections (9) to
26 (16) and section 522 in the instruction booklet that accompanies

1 the respective income tax or property tax credit forms used by
2 claimants.

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

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

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

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

1 after the credit provided by subsections (9) to (16) is in
2 effect.

3 (16) The total credit allowed by ~~subsections (9) to (15)~~
4 THIS SECTION and section 522 shall not exceed ~~-\$1,200.00 per~~
5 \$1,400.00 FOR THE 1991 TAX year. FOR TAX YEARS 1992 THROUGH
6 2002, THE MAXIMUM TOTAL CREDIT PROVIDED BY THIS SUBSECTION SHALL
7 BE INCREASED BY \$100.00 EACH YEAR. FOR EACH TAX YEAR AFTER 2002
8 THE MAXIMUM TOTAL CREDIT PROVIDED BY THIS SUBSECTION EQUALS THE
9 RESULT FROM THE FOLLOWING CALCULATIONS:

10 (A) MULTIPLY THE MAXIMUM CREDIT AMOUNT FOR THE PRECEDING TAX
11 YEAR BY THE PERCENTAGE BY WHICH THE AVERAGE ALL URBAN DETROIT
12 CONSUMER PRICE INDEX FOR THE 12 MONTHS ENDING AUGUST 31 OF THE
13 TAX YEAR FOR WHICH THE CREDIT IS CLAIMED EXCEEDS THAT INDEX'S
14 AVERAGE FOR THE 12 MONTHS ENDING ON AUGUST 31 OF THE PREVIOUS TAX
15 YEAR.

16 (B) ADD THE PRODUCT FROM SUBDIVISION (A) TO THE PRECEDING
17 TAX YEAR'S MAXIMUM CREDIT AMOUNT AND ROUND THE RESULT TO THE
18 NEAREST WHOLE DOLLAR.

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

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

23 (a) A claimant ~~, other than a senior citizen, a paraplegic~~
24 ~~or quadriplegic, a totally and permanently disabled person, an~~
25 ~~eligible serviceperson, an eligible veteran, an eligible widow or~~
26 ~~widower, or a blind person,~~ is entitled to a credit against the
27 state income tax liability equal to 60% of the amount by which

1 the property taxes on the homestead, or the credit for rental of
 2 the homestead for the taxable year, exceeds 3.5% of the
 3 claimant's ~~total~~ household income for that taxable year.

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

| 14 | Household income | Percentage |
|----|---|------------|
| 15 | Not over \$3,000.00 | 0% |
| 16 | Over \$3,000.00 but not over \$4,000.00 | 1.0% |
| 17 | Over \$4,000.00 but not over \$5,000.00 | 2.0% |
| 18 | Over \$5,000.00 but not over \$6,000.00 | 3.0% |
| 19 | Over \$6,000.00 | 3.5% |

20 (c) A CLAIMANT WHO IS totally and permanently disabled
 21 ~~person~~ is entitled to a credit against the state income tax
 22 liability equal to 60% of the amount by which the property taxes
 23 on the homestead, or the credit for rental of the homestead or
 24 for a service charge in lieu of ad valorem taxes as provided in
 25 section 15a of the state housing development authority act of
 26 1966, ~~being section 125.1415a of the Michigan Compiled Laws~~ ACT

1 NO. 346 OF THE PUBLIC ACTS OF 1966, for the taxable year, exceeds
2 the percentage of the claimant's ~~total~~ household income for
3 that taxable year based on the schedule in subdivision (b).

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

9 (i) Divide the state equalized value allowance specified in
10 section 506 by the state equalized value of the homestead or, if
11 the eligible serviceperson, eligible veteran, or eligible widow
12 or widower leases or rents a homestead, divide 17% of the total
13 annual rent paid on the property by the property tax rate on the
14 property.

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

17 (e) A claimant who is blind is entitled to a 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 (i) If the state equalized value of the homestead is
22 \$3,500.00 or less, — 100% of the property taxes.

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

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

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

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

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

18 (a) If the state equalized value of the homestead is
19 \$2,500.00 or less, — 100% of the property taxes.

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

23 (6) FOR PURPOSES OF CALCULATING THE CREDIT UNDER THIS SEC-
24 TION, THE PROPERTY TAXES OF A CLAIMANT WHO CLAIMS THE CREDIT
25 ALLOWED BY SECTION 252 MEANS THE AMOUNT OF PROPERTY TAXES LEVIED
26 ON THE HOMESTEAD LESS THE AMOUNT OF THE CREDIT CLAIMED PURSUANT
27 TO SECTION 252.

1 (7) ~~(6)~~ For a return of less than 12 months, the claim
2 shall be reduced proportionately.

3 (8) ~~(7)~~ The commissioner may prescribe tables that may be
4 used to determine the amount of the claim.

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

9 (9) The total credit allowable under this act and the farm-
10 land and open space preservation act, Act No. 116 of the Public
11 Acts of 1974, as amended, being sections 554.701 to 554.719 of
12 the Michigan Compiled Laws, shall not exceed the total property
13 tax due and payable by the claimant in that year. The amount BY
14 WHICH the credit exceeds the property tax due and payable shall
15 be deducted from the credit claimed under THE FARMLAND AND OPEN
16 SPACE PRESERVATION ACT, Act No. 116 of the Public Acts of 1974,
17 as amended.

18 Section 2. This amendatory act shall not take effect unless
19 Senate Bill No. 72

20 of the 86th Legislature is enacted into law.