



# HOUSE BILL No. 4392

March 2, 1993, Introduced by Reps. McManus, Kukuk, Goschka, McBryde, Stille, Walberg, Hammerstrom, Llewellyn, Galloway, Bodem, Hill, Jersevic, Middleton, Shugars, Gernaat, Voorhees, Freeman, Lowe, Kaza, DeLange, Dalman, Hoffman, Fitzgerald, Bender, London, McNutt, Rocca, Porreca, Pitoniak, Gustafson, Cropsey, Munsell, Crissman, Byrum, Jaye, Bankes, Randall and Bandstra 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. 293 of the Public Acts of 1992 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. 293 of the  
3 Public Acts of 1992 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~~ TAX PURPOSES pursuant to section 164 of  
4 the internal revenue code, or that would have been deductible if  
5 the claimant had not elected the zero bracket amount or if the  
6 claimant had been subject to the federal income tax. The prop-  
7 erty taxes used for the credit computation shall not be greater  
8 than the amount 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 is a separate offense. Each acceptance  
24 of a payment of rent is a separate offense.

25 (7) A person who received aid to families with dependent  
26 children, state family assistance, or state disability assistance  
27 pursuant to the social welfare act, Act No. 280 of the Public

1 Acts of 1939, as amended, being sections 400.1 to 400.119b of  
2 the Michigan Compiled Laws, in the tax year for which the person  
3 is filing a return shall have a credit that is authorized pursu-  
4 ant to this section and computed pursuant to section 522 reduced  
5 by an amount equal to the product of the claimant's credit, as  
6 computed pursuant to section 522, multiplied by the quotient of  
7 the sum of the claimant's aid to families with dependent chil-  
8 dren, state family assistance, and state disability assistance  
9 for the tax year divided by the claimant's household income. The  
10 reduction of credit shall not exceed the sum of the aid to fami-  
11 lies with dependent children, state family assistance, and state  
12 disability assistance for the tax year. For the purposes of this  
13 subsection, aid to families with dependent children does not  
14 include child support payments that offset or reduce payments  
15 made to the claimant. This subsection applies only to the 1980  
16 through the 1994 tax years.

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

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

1 claim a credit based upon the amount of household income  
2 attributable to rent as provided by this section, subject to the  
3 limitations of this section:

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

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

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

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

17 (11) The department may promulgate rules to implement sub-  
18 sections (9) to ~~(+6)~~ (15) and may prescribe a table to allow a  
19 claimant to determine the credit provided under subsections (9)  
20 to ~~(+6)~~ (15) and section 522 in the instruction booklet that  
21 accompanies the respective income tax or property tax credit  
22 forms used by claimants.

23 (12) A senior citizen may claim the credit under subsections  
24 (9) to ~~(+6)~~ (15) on the same form as the property tax credit  
25 permitted by subsection (2). The department shall adjust the  
26 forms accordingly.

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

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

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

24 ~~(+16) The total credit allowed by subsections (9) to (+15)~~  
25 ~~and section 522 shall not exceed \$1,200.00 per year.~~

26 (16) ~~(+17)~~ Subsection (8) does not apply for any tax year  
27 to which subsection (7) does not apply.

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

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

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

| 21 | Household income                        | Percentage |
|----|---|------------|
| 22 | Not over \$3,000.00                     | .0%        |
| 23 | Over \$3,000.00 but not over \$4,000.00 | 1.0%       |
| 24 | Over \$4,000.00 but not over \$5,000.00 | 2.0%       |
| 25 | Over \$5,000.00 but not over \$6,000.00 | 3.0%       |
| 26 | Over \$6,000.00                         | 3.5%       |

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

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

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

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

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

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

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

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

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

12 (4) As used in this section, "totally and permanently  
13 disabled" means disability as defined in section 216 of title II  
14 of the social security act, CHAPTER 531, 49 STAT. 620, 42 U.S.C.  
15 416.

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

23 (a) If the state equalized value of the homestead is  
24 \$2,500.00 or less, — 100% of the property taxes.

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

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

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

5 ~~(8) 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 (8) ~~(9)~~ The total credit allowable under this act and the  
10 farmland and open space preservation act, Act No. 116 of the  
11 Public Acts of 1974, as amended, being sections 554.701 to  
12 554.719 of the Michigan Compiled Laws, shall not exceed the total  
13 property tax due and payable by the claimant in that year. The  
14 amount BY WHICH the credit exceeds the property tax due and pay-  
15 able shall be deducted from the credit claimed under THE FARMLAND  
16 AND OPEN SPACE PRESERVATION ACT, Act No. 116 of the Public Acts  
17 of 1974, as amended.