



# HOUSE BILL No. 5898

November 10, 1994, Introduced by Reps Bodem, DeLange, Gernaat, Lowe, Gnodtke, Porreca, Dalman McBryde Rhead Hammerstrom Anthony Jamian, Vorva Willard, Shugars Jaye Jersevic Dobronski, McManus, Oxender, Johnson Gilmer Alley Middaugh, Pitoniak McNutt, Dobb, Voorhees, Rocca and Galloway 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,"

as amended by Act No 328 of the Public Acts of 1993, 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, as amended by Act No 328 of the Public Acts  
3 of 1993, being sections 206 520 and 206 522 of the Michigan  
4 Compiled Laws, are amended to read as follows

5 Sec 520 (1) Subject to the limitations and the defini-  
6 tions set out in this chapter, a claimant may claim against the  
7 tax due pursuant to this act for the tax year a credit for the  
8 property taxes on the taxpayer's homestead deductible for federal  
9 income tax purposes pursuant to section 164 of the internal

1 revenue code or that would have been deductible if the claimant  
2 had not elected the zero bracket amount or if the claimant had  
3 been subject to the federal income tax The property taxes used  
4 for the credit computation shall not be greater than the amount  
5 levied for 1 tax year

6 (2) A person who rents or leases a homestead may claim a  
7 similar credit computed pursuant to this section and section 522  
8 based upon 17% of the gross rent paid for tax years before the  
9 1994 tax year or 20% of the gross rent paid for tax years after  
10 the 1993 tax year A person who rents or leases a homestead  
11 subject to a service charge in lieu of ad valorem taxes as pro-  
12 vided by section 15a of the state housing development authority  
13 act of 1966, Act No 346 of the Public Acts of 1966, as amended,  
14 being section 125 1415a of the Michigan Compiled Laws may claim  
15 a similar credit computed pursuant to this section and  
16 section 522 based upon 10% of the gross rent paid

17 (3) If the credit claimed pursuant to this section and  
18 section 522 exceeds the tax liability for the tax year or if  
19 there is no tax liability for the tax year the amount of the  
20 claim not used as an offset against the tax liability shall  
21 after examination and review be approved for payment, without  
22 interest, to the claimant A payment approved pursuant to this  
23 subsection to a claimant eligible for a credit under  
24 subsection (1) shall be made in a check or warrant exclusive of  
25 refunds due for withholdings or other credits allowed by this  
26 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 if the mortgagor reduces the rent charged  
8 and collected on the claimant's homestead in an amount equal to  
9 the tax credit payment provided in this chapter. The assignment  
10 of the claim is valid only if the Michigan state housing develop-  
11 ment authority, by affidavit, verifies that the claimant's rent  
12 has 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 claims and receives a credit  
18 or payment under this chapter is guilty of a misdemeanor.  
19 Discrimination against a renter who claims and receives the  
20 credit under this section and section 522 by a reduction of the  
21 rent on the homestead of a person who does not claim and receive  
22 the credit is a misdemeanor. If discriminatory rents are charged  
23 or collected, each charge or collection of the higher or lower  
24 payment is a separate offense. Each acceptance of a payment of  
25 rent is a separate offense.

26       (7) A person who received aid to families with dependent  
27 children, state family assistance, or state disability assistance

1 pursuant to the social welfare act Act No 280 of the Public  
 2 Acts of 1939, as amended, being sections 400 1 to 400 119b of the  
 3 Michigan Compiled Laws in the tax year for which the person is  
 4 filing a return shall have a credit that is authorized and com-  
 5 puted pursuant to this section and section 522 reduced by an  
 6 amount equal to the product of the claimant s credit multiplied  
 7 by the quotient of the sum of the claimant's aid to families with  
 8 dependent children, state family assistance, and state disability  
 9 assistance for the tax year divided by the claimant's household  
 10 income The reduction of credit shall not exceed the sum of the  
 11 aid to families with dependent children, state family assistance,  
 12 and state disability assistance for the tax year For the pur-  
 13 poses of this subsection aid to families with dependent children  
 14 does not include child support payments that offset or reduce  
 15 payments made to the claimant This subsection applies only to  
 16 the 1980 through the 1994 tax years

17 (8) ~~A~~ FOR TAX YEARS BEFORE 1995 A credit under subsection  
 18 (1) or (2) shall be reduced by 10% for each claimant whose house-  
 19 hold income exceeds \$73,650 00 and by an additional 10% for each  
 20 increment of \$1 000 00 of household income in excess of  
 21 \$73,650 00 FOR TAX YEARS AFTER 1994 A CREDIT UNDER SUBSECTION  
 22 (1) OR (2) SHALL BE REDUCED BY 10% FOR EACH CLAIMANT WHOSE HOUSE-  
 23 HOLD INCOME EXCEEDS \$65,000 00 AND BY AN ADDITIONAL 10% FOR EACH  
 24 INCREMENT OF \$1 000 00 OF HOUSEHOLD INCOME IN EXCESS OF  
 25 \$65,000 00

26 (9) If the credit authorized and calculated pursuant to this  
 27 section and section 522 and adjusted pursuant to subsection (7)

1 or (8) does not provide to a senior citizen who rents or leases a  
2 homestead that amount attributable to rent that constitutes more  
3 than the following percentage of the household income of the  
4 senior citizen, the senior citizen may claim a credit based upon  
5 the amount of household income attributable to rent as provided  
6 by this section, subject to the following limitations

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

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

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

11 (10) A senior citizen whose gross rent paid for the tax year  
12 is more than the percentage of household income specified in sub-  
13 section (9) for the respective tax year may claim a credit for  
14 the amount of rent paid that constitutes more than the percentage  
15 of the household income of the senior citizen specified in sub-  
16 section (9) for the respective tax year and that was not provided  
17 to the senior citizen by the credit computed pursuant to this  
18 section and section 522 and adjusted pursuant to subsection (7)  
19 or (8)

20 (11) The department may promulgate rules to implement sub-  
21 sections (9) to (16) and may prescribe a table to allow a claim-  
22 ant to determine the credit provided under this section and sec-  
23 tion 522 in the instruction booklet that accompanies the respec-  
24 tive income tax or property tax credit forms used by 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 moves to a different rented or  
4 leased homestead shall determine for 2 tax years after the move,  
5 both his or her qualification to claim a credit under subsections  
6 (9) to (16) and the amount of a credit under subsections (9) to  
7 (16) on the basis of the annualized final monthly rental payment  
8 at his or her previous homestead, if this annualized rental is  
9 less than the senior citizen's actual annual rental payments

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

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

24 (16) The total credit allowed by this section and section  
25 522 shall not exceed \$1,200 00 per year FOR A CLAIMANT WHO IS NOT  
26 A SENIOR CITIZEN IF A CLAIMANT IS A SENIOR CITIZEN THERE IS NO  
27 MAXIMUM ALLOWABLE CREDIT AMOUNT UNDER THIS SUBSECTION

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 is entitled to a credit against the state  
 6 income tax liability equal to 60% of the amount by which the  
 7 property taxes on the homestead, or the credit for rental of the  
 8 homestead for the taxable year, exceeds 3 5% of the claimant's  
 9 household income for that taxable year

10 (b) A claimant who is a senior citizen or a paraplegic or  
 11 quadriplegic is entitled to a credit against the state income tax  
 12 liability for the amount by which the property taxes on the home-  
 13 stead, the credit for rental of the homestead, or a service  
 14 charge in lieu of ad valorem taxes as provided by section 15a of  
 15 the state housing development authority act of 1966, Act No 346  
 16 of the Public Acts of 1966, as amended, being section 125 1415a  
 17 of the Michigan Compiled Laws, for the taxable year exceeds the  
 18 percentage of the claimant s household income for that taxable  
 19 year computed as follows

20 Household income	Percentage
21 Not over \$3,000 00	0%
22 Over \$3,000 00 but not over \$4,000 00	1 0%
23 Over \$4,000 00 but not over \$5,000 00	2 0%
24 Over \$5,000 00 but not over \$6,000 00	3 0%
25 Over \$6,000 00	3 5%

1 (c) A claimant who is totally and permanently disabled is  
2 entitled to a credit against the state income tax liability equal  
3 to 60% of the amount by which the property taxes on the home-  
4 stead or the credit for rental of the homestead or for a service  
5 charge in lieu of ad valorem taxes as provided in section 15a of  
6 the state housing development authority act of 1966, Act No 346  
7 of the Public Acts of 1966, for the taxable year, exceeds the  
8 percentage of the claimant's household income for that taxable  
9 year based on the schedule in subdivision (b)

10 (d) A claimant who is an eligible serviceperson, eligible  
11 veteran, or eligible widow or widower 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 not in  
14 excess of 100% determined as follows

15 (1) Divide the state equalized value allowance specified in  
16 section 506 by the state equalized ~~value~~ VALUATION of the home-  
17 stead or, if the eligible serviceperson, eligible veteran, or  
18 eligible widow or widower leases or rents a homestead, divide 17%  
19 of the total annual rent paid for tax years before the 1994 tax  
20 year, or 20% of the total annual rent paid for tax years after  
21 the 1993 tax year on the property by the property tax rate on the  
22 property

23 (11) Multiply the property taxes on the homestead by the  
24 percentage computed in subparagraph (1)

25 (e) A claimant who is blind is entitled to a credit against  
26 the state income tax liability for a percentage of the property



1 taxes on the homestead for the taxable year determined as  
2 follows

3 (1) If the state equalized ~~value~~ VALUATION of the home-  
4 stead is \$3,500 00 or less, 100% of the property taxes

5 (11) If the state equalized ~~value~~ VALUATION of the home-  
6 stead is more than \$3,500 00, the percentage that \$3,500 00 bears  
7 to the state equalized ~~value~~ VALUATION of the homestead

8 (2) A person who is qualified to make a claim under more  
9 than 1 classification shall elect the classification under which  
10 the claim is made

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

14 (4) As used in this section, 'totally and permanently  
15 disabled means disability as defined in section 216 of title II  
16 of the social security act, chapter 531 49 Stat 620, 42 U S C  
17 416

18 (5) A senior citizen who has a total household income for  
19 the taxable year of \$6,000 00 or less and who for 1973 received a  
20 senior citizen homestead exemption under former section 7c of the  
21 general property tax act, Act No 206 of the Public Acts of 1893  
22 may compute the credit against the state income tax liability for  
23 a percentage of the property taxes on the homestead for the tax-  
24 able year determined as follows

25 (a) If the state equalized ~~value~~ VALUATION of the home-  
26 stead is \$2,500 00 or less, 100% of the property taxes

1 (b) If the state equalized ~~value~~ VALUATION of the  
2 homestead is more than \$2,500 00, the percentage that \$2,500 00  
3 bears to the state equalized ~~value~~ VALUATION of the homestead

4 (6) For a return of less than 12 months, the claim shall be  
5 reduced proportionately

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

8 (8) The total credit allowed ~~in~~ BY this section ~~for each~~  
9 ~~year after December 31, 1975~~ AND SECTION 520 shall not exceed  
10 \$1,200 00 per year FOR A CLAIMANT WHO IS NOT A SENIOR CITIZEN  
11 IF A CLAIMANT IS A SENIOR CITIZEN THERE IS NO MAXIMUM ALLOWABLE  
12 CREDIT AMOUNT UNDER THIS SUBSECTION

13 (9) The total credit allowable under this act and the farm-  
14 land and open space preservation act Act No 116 of the Public  
15 Acts of 1974, as amended, being sections 554 701 to 554 719 of  
16 the Michigan Compiled Laws shall not exceed the total property  
17 tax due and payable by the claimant in that year The amount by  
18 which the credit exceeds the property tax due and payable shall  
19 be deducted from the credit claimed under the farmland and open  
20 space preservation act, Act No 116 of the Public Acts of 1974,  
21 as amended