



SENATE BILL No. 668

June 2, 1993, Introduced by Senators WELBORN and DI NELLO
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. 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~~ THE tax ~~otherwise~~ due PURSUANT TO
 2 THIS ACT for the tax year a credit for the property taxes on the
 3 TAXPAYER'S homestead deductible for federal income ~~taxes~~ TAX
 4 PURPOSES pursuant to section 164 of the internal revenue code, or
 5 that would have been deductible if the claimant had not elected
 6 the zero bracket amount or if the claimant had been subject to
 7 the federal income tax. The property taxes used for the credit
 8 computation shall not be greater than the amount levied for 1 tax
 9 year.

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

21 (3) If ~~the allowable amount of~~ the credit claimed ~~under~~
 22 PURSUANT TO this section AND SECTION 522 exceeds the ~~state~~
 23 ~~income~~ tax ~~otherwise due~~ LIABILITY for the tax year or if
 24 there is no ~~state income~~ tax ~~due~~ LIABILITY for the tax year,
 25 the amount of the claim not used as an offset against the ~~state~~
 26 ~~income~~ tax LIABILITY shall, after examination and review, be
 27 approved for payment, without interest, to the claimant. A

1 payment approved pursuant to this subsection to a claimant
2 eligible for a credit under subsection (1) shall be made in a
3 check or warrant exclusive of refunds due for withholdings or
4 other credits allowed by this act. In determining the amount of
5 this check or warrant, withholdings and other credits shall be
6 used first to offset any 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~~ IF THE MORTGAGOR reduces the rent
12 charged and collected on the claimant's homestead in an amount
13 equal to the tax credit payment provided in this chapter. The
14 assignment of the claim ~~shall be~~ IS valid only if the Michigan
15 state housing development authority, by affidavit, verifies that
16 the claimant's rent has 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~~
22 CLAIMS AND RECEIVES a credit or payment under this chapter is
23 guilty of a misdemeanor. Discrimination against a renter
24 ~~claiming and receiving~~ WHO CLAIMS AND RECEIVES the credit UNDER
25 THIS SECTION AND SECTION 522 by A reduction of THE rent on the
26 homestead of a person WHO DOES not ~~claiming or receiving~~ CLAIM
27 AND RECEIVE the credit is a misdemeanor. If discriminatory rents

1 are charged or collected, each charge ~~and~~ OR collection of
2 ~~both~~ the higher ~~and~~ OR lower payment is a separate offense.
3 Each acceptance of a payment of rent is a separate offense.

4 (7) A person who received aid to families with dependent
5 children, state family assistance, or state disability assistance
6 pursuant to the social welfare act, Act No. 280 of the Public
7 Acts of 1939, as amended, being sections 400.1 to 400.119b of
8 the Michigan Compiled Laws, in the tax year for which the person
9 is filing a return shall have a credit that is authorized AND
10 COMPUTED pursuant to this section and ~~computed pursuant to~~
11 section 522 reduced by an amount equal to the product of the
12 claimant's credit ~~, as computed pursuant to section 522,~~ multi-
13 plied by the quotient of the sum of the claimant's aid to fami-
14 lies with dependent children, state family assistance, and state
15 disability assistance for the tax year divided by the claimant's
16 household income. The reduction of credit shall not exceed the
17 sum of the aid to families with dependent children, state family
18 assistance, and state disability assistance for the tax year.
19 For the purposes of this subsection, aid to families with depen-
20 dent children does not include child support payments that offset
21 or reduce payments made to the claimant. This subsection applies
22 only to the 1980 through the 1994 tax years.

23 (8) ~~For tax years commencing after December 31, 1984, a~~ 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 AUTHORIZED AND calculated pursuant to THIS SECTION AND section
 3 522 and adjusted pursuant to subsection (7) or (8) ~~—~~ does not
 4 provide to a senior citizen who ~~is renting or leasing~~ RENTS OR
 5 LEASES a homestead that amount attributable to rent that consti-
 6 tutes more than the following percentage of the household income
 7 of the senior citizen, the senior citizen may claim a credit
 8 based upon the amount of household income attributable to rent as
 9 provided by this section, subject to the FOLLOWING limitations:
 10 ~~of this section:~~

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

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

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

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

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

1 that accompanies the respective income tax or property tax credit
2 forms used by 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
8 to a different rented or leased homestead shall determine, for 2
9 tax years after the move, both his or her qualification to claim
10 a 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 year THE AMOUNT DETERMINED PURSUANT TO SECTION 522.

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

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

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

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

1	Household income	Percentage
2	Not over -\$3,000.00- \$6,000.00	.0%
3	Over -\$3,000.00- \$6,000.00 but not over	
4	-\$4,000.00- \$9,000.00	1.0%
5	Over -\$4,000.00- \$9,000.00 but not over	
6	-\$5,000.00- \$12,000.00	2.0%
7	Over -\$5,000.00- \$12,000.00 but not over	
8	-\$6,000.00- \$15,000.00	3.0%
9	Over -\$6,000.00- \$15,000.00	3.5%

10 (C) THE HOUSEHOLD INCOME AMOUNTS IN SUBDIVISION (B) SHALL BE
 11 ADJUSTED EACH YEAR TO REFLECT INCREASES IN THE GENERAL PRICE
 12 LEVEL FOR THAT YEAR. AS USED IN THIS SUBDIVISION, "GENERAL PRICE
 13 LEVEL" MEANS THAT TERM AS DEFINED IN SECTION 33 OF ARTICLE IX OF
 14 THE STATE CONSTITUTION OF 1963.

15 (D) ~~-(e)-~~ A CLAIMANT WHO IS totally and permanently disabled
 16 ~~person~~ is entitled to a credit against the state income tax
 17 liability equal to 60% of the amount by which the property taxes
 18 on the homestead, or the credit for rental of the homestead or
 19 for a service charge in lieu of ad valorem taxes as provided in
 20 section 15a of ~~the state housing development authority act of~~
 21 ~~1966, being section 125.1415a of the Michigan Compiled Laws~~ ACT
 22 NO. 346 OF THE PUBLIC ACTS OF 1966, for the taxable year, exceeds
 23 the percentage of the claimant's ~~total~~ household income for
 24 that taxable year based on the schedule in subdivision (b)
 25 ADJUSTED PURSUANT TO SUBDIVISION (C).

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

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

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

14 (F) ~~—(e)—~~ A claimant who is blind is entitled to a credit
 15 against the state income tax liability for a percentage of the
 16 property taxes on the homestead for the taxable year determined
 17 as follows:

18 (i) If the state equalized value of the homestead is
 19 \$3,500.00 or less, — 100% of the property taxes.

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

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

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

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

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

15 (a) If the state equalized value of the homestead is
16 \$2,500.00 or less, — 100% of the property taxes.

17 (b) If the state equalized value of the homestead is more
18 than \$2,500.00, the percentage that \$2,500.00 bears to the state
19 equalized value of the homestead.

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

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

24 (8) The total credit allowed in this section ~~for a taxable~~
25 ~~period prior to January 1, 1976, shall not exceed \$500.00 per~~
26 ~~year and~~ for each year after December 31, 1975 — shall not
27 exceed \$1,200.00 per year FOR TAX YEARS BEFORE THE 1993 TAX YEAR

1 AND \$2,500.00 FOR THE 1993 TAX YEAR AND TAX YEARS AFTER THE 1993
2 TAX YEAR. FOR TAX YEARS AFTER THE 1993 TAX YEAR, THE MAXIMUM
3 CREDIT ALLOWED BY THIS SUBSECTION SHALL BE ADJUSTED ANNUALLY TO
4 REFLECT INCREASES IN THE GENERAL PRICE LEVEL. AS USED IN THIS
5 SUBSECTION, "GENERAL PRICE LEVEL" MEANS THAT TERM AS DEFINED IN
6 SECTION 33 OF ARTICLE IX OF THE STATE CONSTITUTION OF 1963.

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