



SENATE BILL No. 682

June 8, 1993, Introduced by Senator POLLACK and referred to the Committee on Finance.

A bill to amend sections 30, 51, 481, 520, 522, and 532 of Act No. 281 of the Public Acts of 1967, entitled "Income tax act of 1967," section 30 as amended by Act No. 516 of the Public Acts of 1988, section 51 as amended by Act No. 283 of the Public Acts of 1990, section 481 as amended by Act No. 160 of the Public Acts of 1992, 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 206.30, 206.51, 206.481, 206.520, 206.522, and 206.532 of the Michigan Compiled Laws; and to add section 519.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 30, 51, 481, 520, 522, and 532 of Act
2 No. 281 of the Public Acts of 1967, section 30 as amended by Act
3 No. 516 of the Public Acts of 1988, section 51 as amended by Act

1 No. 283 of the Public Acts of 1990, section 481 as amended by Act
2 No. 160 of the Public Acts of 1992, section 520 as amended by Act
3 No. 293 of the Public Acts of 1992, and section 522 as amended by
4 Act No. 254 of the Public Acts of 1987, being sections 206.30,
5 206.51, 206.481, 206.520, 206.522, and 206.532 of the Michigan
6 Compiled Laws, are amended and section 519 is added to read as
7 follows:

8 Sec. 30. (1) "Taxable income" MEANS, for a person other
9 than a corporation, estate, or trust, ~~means~~ adjusted gross
10 income as defined in the internal revenue code subject to the
11 following adjustments:

12 (a) Add gross interest income and dividends derived from
13 obligations or securities of states other than Michigan, in the
14 same amount that has been excluded from ~~federal~~ adjusted gross
15 income less related expenses not deducted in computing ~~federal~~
16 adjusted gross income because of section 265(a)(1) of the inter-
17 nal revenue code.

18 (b) Add taxes on or measured by income to the extent the
19 taxes have been deducted in arriving at ~~federal~~ adjusted gross
20 income.

21 (c) Add losses on the sale or exchange of obligations of the
22 United States government, the income of which this state is pro-
23 hibited from subjecting to a net income tax, to the extent that
24 the loss has been deducted in arriving at ~~federal~~ adjusted
25 gross income.

26 (d) Deduct, to the extent included in ~~federal~~ adjusted
27 gross income, income derived from obligations, or the sale or

1 exchange of obligations, of the United States government that
2 this state is prohibited by law from subjecting to a net income
3 tax, reduced by any interest on indebtedness incurred in carrying
4 the obligations and by any expenses incurred in the production of
5 that income to the extent that the expenses, including amorti-
6 zable bond premiums, were deducted in arriving at ~~federal~~
7 adjusted gross income.

8 (e) Deduct, to the extent included in ~~federal~~ adjusted
9 gross income, compensation, including retirement benefits,
10 received for services in the armed forces of the United States.

11 (f) Deduct THE FOLLOWING to the extent included in adjusted
12 gross income:

13 (i) Retirement or pension benefits received from a public
14 retirement system of or created by this state or a political sub-
15 division of this state.

16 (ii) ~~Any retirement~~ RETIREMENT or pension benefits
17 received from a public retirement system of or created by another
18 state or any of its political subdivisions if the income tax laws
19 of the other state permit a similar deduction or exemption or a
20 reciprocal deduction or exemption of a retirement or pension ben-
21 efit received from a public retirement system of or created by
22 this state or any of the political subdivisions of this state.

23 (iii) Social security benefits as defined in section 86 of
24 the internal revenue code.

25 (iv) Retirement or pension benefits from any other retire-
26 ment or pension system as follows:

1 (A) For a single return, the sum of not more than
2 \$7,500.00.

3 (B) For a joint return, the sum of not more than
4 \$10,000.00.

5 (v) The amount determined to be the section 22 amount eligi-
6 ble for the elderly and permanently and totally disabled credit
7 provided in section 22 of the internal revenue code.

8 (g) Adjustments resulting from the application of section
9 271.

10 (h) Adjustments with respect to estate and trust income as
11 provided in section 36.

12 (i) Adjustments resulting from the allocation and apportion-
13 ment provisions of chapter 3.

14 (j) Deduct political contributions as ~~defined~~ DESCRIBED in
15 section 4 of THE MICHIGAN CAMPAIGN FINANCE ACT, Act No. 388 of
16 the Public Acts of 1976, being section 169.204 of the Michigan
17 Compiled Laws, or AS DEFINED IN section 301 of title III of the
18 federal election campaign act of 1971, Public Law 92-225, 2
19 U.S.C. 431, not in excess of \$50.00 per annum, or \$100.00 per
20 annum for a joint return.

21 (k) Deduct, to the extent included in adjusted gross income,
22 wages not deductible under section 280C of the internal revenue
23 code.

24 (l) Deduct the following payments made by the taxpayer in
25 the tax year:

26 (i) The amount of payment made under an advance tuition
27 payment contract as provided in the Michigan education trust act,

1 Act No. 316 of the Public Acts of 1986, being sections 390.1421
2 to 390.1444 of the Michigan Compiled Laws.

3 (ii) The amount of payment made under a contract with a pri-
4 vate sector investment manager that meets all of the following
5 criteria:

6 (A) The contract is certified and approved by the board of
7 directors of the Michigan education trust to provide equivalent
8 benefits and rights to purchasers and beneficiaries as an advance
9 tuition payment contract as described in subparagraph (i).

10 (B) The contract applies only for a state institution of
11 higher education as defined in the Michigan education trust act,
12 Act No. 316 of the Public Acts of 1986, or a community or junior
13 college in Michigan.

14 (C) The contract provides for enrollment by the contract's
15 qualified beneficiary in not less than 4 years after the date on
16 which the contract is entered into.

17 (D) The contract is entered into AFTER either OF THE
18 FOLLOWING:

19 (I) ~~After the~~ THE purchaser has had his or her offer to
20 enter into an advance tuition payment contract rejected by the
21 board OF DIRECTORS OF THE MICHIGAN EDUCATION TRUST, if the board
22 determines that the trust cannot accept an unlimited number of
23 enrollees upon an actuarially sound basis.

24 (II) ~~After the~~ THE board OF DIRECTORS OF THE MICHIGAN EDU-
25 CATION TRUST determines that the trust can accept an unlimited
26 number of enrollees upon an actuarially sound basis.

1 (m) If an advance tuition payment contract under the
2 Michigan education trust act, Act No. 316 of the Public Acts of
3 1986, or another contract for which the payment was deductible
4 under subdivision (1) is terminated and the qualified beneficiary
5 under that contract does not attend a university, college, junior
6 or community college, or other institution of higher education,
7 add the amount of a refund received by the taxpayer as a result
8 of that termination ~~which amount shall be the lesser of the~~
9 ~~amount of the refund~~ or the amount of the deduction taken under
10 subdivision (1) for payment made under that contract, WHICHEVER
11 IS LESS.

12 (n) Deduct from the taxable income of a purchaser the amount
13 included as income to the purchaser under the internal revenue
14 code after the advance tuition payment contract entered into
15 under the Michigan education trust act, Act No. 316 of the Public
16 Acts of 1986, is terminated because the qualified beneficiary
17 attends an institution of postsecondary education other than
18 either a state institution of higher education or an institution
19 of postsecondary education located outside this state with which
20 a state institution of higher education has reciprocity.

21 (o) Add, to the extent deducted in determining ~~federal~~
22 adjusted gross income, the net operating loss deduction under
23 section 172 of the internal revenue code.

24 (p) Deduct a net operating loss deduction for the taxable
25 year as defined in section 172 of the internal revenue code
26 subject to the modifications under section 172(b)(2) of the
27 internal revenue code and subject to the allocation and

1 apportionment provisions of chapter 3 of this act for the taxable
2 year in which the loss was incurred.

3 (q) For a tax year beginning after 1986, deduct, to the
4 extent included in adjusted gross income, benefits from a dis-
5 criminatory self-insurance medical expense reimbursement plan.

6 (2) ~~For a tax year beginning during 1987, a personal exemp-~~
7 ~~tion of \$1,600.00; for a tax year beginning during 1988, a per-~~
8 ~~sonal exemption of \$1,800.00; for a tax year beginning during~~
9 ~~1989, a personal exemption of \$2,000.00; and for a tax year~~
10 ~~beginning after 1989, a personal exemption of \$2,100.00 times~~

11 THE FOLLOWING PERSONAL EXEMPTIONS MULTIPLIED BY the number of
12 personal or dependency exemptions allowable on the taxpayer's
13 federal income tax return pursuant to the internal revenue code
14 shall be subtracted from taxable income:

- 15 (A) FOR A TAX YEAR BEGINNING DURING 1987..... \$1,600.00.
- 16 (B) FOR A TAX YEAR BEGINNING DURING 1988..... \$1,800.00.
- 17 (C) FOR A TAX YEAR BEGINNING DURING 1989..... \$2,000.00.
- 18 (D) FOR A TAX YEAR BEGINNING AFTER 1989 AND
- 19 BEFORE 1993..... \$2,100.00.
- 20 (E) FOR A TAX YEAR BEGINNING AFTER 1992..... \$3,000.00.

21 (3) A single additional exemption of \$1,400.00 for a tax
22 year beginning during 1987, \$1,200.00 for a tax year beginning
23 during 1988, \$1,000.00 for a tax year beginning during 1989, and
24 \$900.00 for a tax year beginning after 1989 is allowed ~~for~~ IN
25 each of the following CIRCUMSTANCES:

1 (a) The taxpayer is a paraplegic, a quadriplegic, a
2 hemiplegic, a person who is blind as defined in section 504, or a
3 totally and permanently disabled person as defined in
4 section 522.

5 (b) The taxpayer is a deaf person as defined in section 2 of
6 the deaf persons' interpreters act, Act No. 204 of the Public
7 Acts of 1982, being section 393.502 of the Michigan Compiled
8 Laws.

9 (c) The taxpayer is ~~a person who is~~ 65 years of age or
10 older.

11 (d) The return includes unemployment compensation that
12 amounts to 50% or more of adjusted gross income.

13 (4) For a tax year beginning after 1987, an individual with
14 respect to whom a deduction under section 151 of the internal
15 revenue code is allowable to another federal taxpayer during the
16 tax year is not considered to have an allowable federal exemption
17 for purposes of subsection (2), but may deduct \$500.00 from tax-
18 able income for a tax year beginning in 1988 and \$1,000.00 for a
19 tax year beginning after 1988.

20 (5) A nonresident or a part-year resident is allowed that
21 proportion of an exemption or deduction allowed under
22 subsection (2), (3), or (4) that the taxpayer's income from
23 Michigan sources bears to the total income from all sources.

24 (6) For a tax year beginning after 1987, in calculating tax-
25 able income, a taxpayer shall not subtract from adjusted gross
26 income the amount of prizes won by the taxpayer under the
27 McCauley-Traxler-Law-Bowman-McNeely lottery act, Act No. 239 of

1 the Public Acts of 1972, being sections 432.1 to 432.47 of the
2 Michigan Compiled Laws.

3 Sec. 51. (1) For receiving, earning, or otherwise acquiring
4 income from any source whatsoever, there is levied and imposed a
5 tax at the ~~rate of 4.6%~~ FOLLOWING RATES FOR THE FOLLOWING
6 PERIODS upon the taxable income of every person ~~—~~ other than a
7 corporation: ~~—~~

8 (A) FOR A TAX YEAR BEFORE THE 1993 TAX YEAR: 4.6%.

9 (B) FOR THE 1993 TAX YEAR AND EACH TAX YEAR AFTER 1993: 6%.

10 ~~(2) As used in this section, "taxable income" means taxable~~
11 ~~income as defined in this act subject to the applicable source~~
12 ~~and attribution rules contained in this act.~~

13 ~~(3) As used in this section, a person other than a corpora-~~
14 ~~tion means the following in addition to a resident or nonresident~~
15 ~~individual:~~

16 ~~(a) A partner in a partnership as defined in the internal~~
17 ~~revenue code.~~

18 ~~(b) A beneficiary of an estate or a trust as defined in the~~
19 ~~internal revenue code.~~

20 ~~(c) An estate or trust as defined in the internal revenue~~
21 ~~code.~~

22 (2) ~~(4) As used in this section, the~~ THE taxable income of
23 a nonresident shall be computed in the same manner as in the case
24 of a resident, subject to the allocation and apportionment provi-
25 sions of this act.

26 (3) ~~(5)~~ A resident beneficiary of a trust whose taxable
27 income includes all or part of an accumulation distribution by a

1 trust, as defined in section 665 of the internal revenue code,
 2 shall be allowed a credit against the tax otherwise due under
 3 this act. The credit shall be all or a proportionate part of any
 4 tax paid by the trust under this act for any preceding taxable
 5 year that would not have been payable if the trust had in fact
 6 made distribution to its beneficiaries at the times and in the
 7 amounts specified in section 666 of the internal revenue code.
 8 The credit shall not reduce the tax otherwise due from the bene-
 9 ficiary to an amount less than would have been due if the accumu-
 10 lation distribution were excluded FROM taxable income.

11 (4) ~~-(6)-~~ The taxable income of a resident who is required
 12 to include income from a trust in his or her federal income tax
 13 return under the provisions of subpart E of part I of subchapter
 14 J of chapter 1 of the internal revenue code, ~~sections 671~~
 15 ~~through 679~~ 26 U.S.C. 671 TO 679, shall include items of income
 16 and deductions from the trust in taxable income to the extent
 17 required by this act with respect to property owned outright.

18 (5) ~~-(7)-~~ It is the intention of this section that the
 19 income subject to tax of every person other than corporations
 20 shall be computed in like manner and be the same as provided in
 21 the internal revenue code ~~—~~ subject to adjustments specifically
 22 provided for in this act.

23 (6) AS USED IN THIS SECTION:

24 (A) "PERSON OTHER THAN A CORPORATION" MEANS A RESIDENT OR
 25 NONRESIDENT INDIVIDUAL OR ANY OF THE FOLLOWING:

26 (i) A PARTNER IN A PARTNERSHIP AS DEFINED IN THE INTERNAL
 27 REVENUE CODE.

1 (ii) A BENEFICIARY OF AN ESTATE OR A TRUST AS DEFINED IN THE
2 INTERNAL REVENUE CODE.

3 (iii) AN ESTATE OR TRUST AS DEFINED IN THE INTERNAL REVENUE
4 CODE.

5 (B) "TAXABLE INCOME" MEANS TAXABLE INCOME AS DEFINED IN THIS
6 ACT SUBJECT TO THE APPLICABLE SOURCE AND ATTRIBUTION RULES CON-
7 TAINED IN THIS ACT.

8 Sec. 481. (1) ~~Beginning~~ SUBJECT TO THE DISTRIBUTIONS
9 REQUIRED PURSUANT TO SUBSECTION (6), BEGINNING January 1, 1974,
10 the state disbursing authority shall remit to cities, villages,
11 townships, and counties in accordance with the state revenue
12 sharing act of 1971, Act No. 140 of the Public Acts of 1971, as
13 amended, being sections 141.901 to 141.921 of the Michigan
14 Compiled Laws, a portion of an amount measured by 6.91% of the
15 gross collections before refunds. An appropriation for each dis-
16 tribution is hereby made from like taxes collected during the
17 quarter in which the distribution is required to be made.
18 However, for the 1991-1992 state fiscal year, the amount of col-
19 lections available for distribution to cities, villages, and
20 townships under section 13(1)(a) of Act No. 140 of the Public
21 Acts of 1971, being section 141.913 of the Michigan Compiled
22 Laws, in August 1992, after the application of subsection ~~(7)~~
23 (8), shall not be distributed but shall lapse to the general fund
24 at the close of the fiscal year ending September 30, 1992.

25 (2) Beginning July 1, 1987:

26 (a) Thirty-four point sixty-five percent of the amount
27 determined by subsection (1) shall be distributed to counties in

1 accordance with Act No. 140 of the Public Acts of 1971. For the
2 1992-1993 state fiscal year, the amount available for distribu-
3 tion under this subdivision shall be reduced by \$6,725,000.00
4 before a distribution under this subdivision is made.

5 (b) Sixty-five point thirty-five percent of the amount
6 determined by subsection (1) shall be distributed to cities, vil-
7 lages, and townships in accordance with Act No. 140 of the Public
8 Acts of 1971. For the 1992-1993 state fiscal year, the amount
9 available for distribution under this subdivision shall be
10 reduced by \$17,500,000.00 before a distribution under this subdi-
11 vision is made.

12 (3) If it is determined that the federal government shall
13 pay any of the costs for public welfare grants in respect to gen-
14 eral relief that are appropriated by the legislature under sec-
15 tion 18 of the social welfare act, Act No. 280 of the Public Acts
16 of 1939, as amended, being section 400.18 of the Michigan
17 Compiled Laws, the percentage of the amount determined by subsec-
18 tion (1) to be distributed to counties in any year pursuant to
19 subsection (2)(a) shall be computed as follows commencing with
20 July 1 after the date federal assumption of costs takes place:

21 (a) Subtract the percentage designated for counties in that
22 year from 50%.

23 (b) Multiply the difference obtained in subdivision (a) by
24 the percentage obtained by dividing the amount of federal pay-
25 ments by the state appropriation for that year for general
26 relief.

1 (c) Add the product obtained in subdivision (b) to the
2 percentage designated for distribution to counties in that year.

3 (d) The difference between the amount that would be distrib-
4 uted using the percentage obtained in subdivision (c) and the
5 amount to be distributed to counties from the income tax in any
6 year shall be appropriated from the general fund and paid to
7 counties with the August payment of the following year as pro-
8 vided under section 11 of Act No. 140 of the Public Acts of 1971,
9 being section 141.911 of the Michigan Compiled Laws.

10 (4) Any overpayments, underpayments, or errors may be
11 adjusted on the subsequent payment date.

12 (5) ~~The~~ SUBJECT TO SUBSECTION (6), THE balance in the gen-
13 eral fund shall be disbursed only on appropriation of the
14 legislature.

15 (6) FOR THE 1993 TAX YEAR AND EACH TAX YEAR AFTER 1993, THE
16 DIFFERENCE BETWEEN THE REVENUE RECEIVED FROM THE RATE IMPOSED BY
17 SECTION 51(1)(B) AND THE REVENUE THAT WOULD HAVE BEEN RECEIVED IF
18 THE RATE IMPOSED BY SECTION 51(1)(A) HAD BEEN IN EFFECT FOR THE
19 TAX YEAR SHALL BE DISTRIBUTED AS FOLLOWS:

20 (A) BEFORE ANY OTHER DISTRIBUTION IS MADE, THE DEPARTMENT
21 SHALL DISTRIBUTE TO EACH SCHOOL DISTRICT THAT DOES NOT RECEIVE OR
22 DOES NOT EXPECT TO RECEIVE STATE SCHOOL AID PAYMENTS UNDER SEC-
23 TION 21(1) OF THE STATE SCHOOL AID ACT OF 1979, ACT NO. 94 OF THE
24 PUBLIC ACTS OF 1979, BEING SECTION 388.1621 OF THE MICHIGAN
25 COMPILED LAWS, THE DIFFERENCE BETWEEN THE AMOUNT THAT SCHOOL DIS-
26 TRICT RECEIVED FROM THE SCHOOL OPERATING MILLAGE LEVIED BY THE
27 SCHOOL DISTRICT IN 1992 AND THE AMOUNT THE SCHOOL DISTRICT

1 RECEIVED FROM SCHOOL OPERATING MILLAGE AFTER THE APPLICATION OF
2 THE EXEMPTION UNDER SECTION 27B OF THE GENERAL PROPERTY TAX ACT,
3 ACT NO. 206 OF THE PUBLIC ACTS OF 1893, BEING SECTION 211.27B OF
4 THE MICHIGAN COMPILED LAWS.

5 (B) THE AMOUNT REMAINING AFTER DISTRIBUTIONS PURSUANT TO
6 SUBDIVISION (A) SHALL BE CREDITED TO THE STATE SCHOOL AID FUND
7 ESTABLISHED IN SECTION 11 OF ARTICLE IX OF THE STATE CONSTITUTION
8 OF 1963. THE LEGISLATURE SHALL NOT USE ANY AMOUNT OF MONEY DIS-
9 TRIBUTED PURSUANT TO THIS SUBSECTION TO DIMINISH THE AMOUNT OF
10 GENERAL FUND MONEY APPROPRIATED FOR K-12 EDUCATION.

11 (7) ~~-(6)-~~ As used in this section, "average income tax col-
12 lection rate" means a rate that shall be certified by the state
13 treasurer for each quarter immediately preceding the quarter in
14 which collections under this act are to be remitted under Act
15 No. 140 of the Public Acts of 1971, as the average rate upon
16 which the gross collections before refunds for the respective
17 quarter are based. This certification shall account for any dif-
18 ferences between gross collections before refunds based upon the
19 income tax rate levied in section 51 in effect during a quarter
20 and gross collections before refunds based upon both the rate
21 upon which withholdings and estimated tax payments are made
22 during that quarter under sections 301 and 351 and the rate upon
23 which annual returns are submitted during that quarter.

24 (8) ~~-(7)-~~ From the amount determined by subsection (1) to be
25 distributed to cities, villages, and townships, \$27,400,000.00
26 from the amount that would have been the payment based on the
27 quarter of collections ending June 30, 1992 shall be distributed

1 in June 1992 in accordance with the tax effort formula as defined
2 in Act No. 140 of the Public Acts of 1971.

3 SEC. 519. THE CREDIT ALLOWED UNDER SECTIONS 520 AND 522
4 SHALL BE KNOWN AS THE "HOMESTEAD AND RENTER PROPERTY TAX CREDIT".

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

15 (2) A person who is renting or leasing a homestead may claim
16 a ~~similar~~ credit, computed pursuant to section 522, ~~that shall~~
17 ~~be~~ based upon 17% of the gross rent paid FOR A TAX YEAR BEFORE
18 THE 1993 TAX YEAR OR 20% OF GROSS RENT PAID FOR THE 1993 TAX YEAR
19 AND EACH YEAR AFTER THE 1993 TAX YEAR. A person renting or leas-
20 ing a homestead subject to a service charge in lieu of ad valorem
21 taxes as provided by section 15a of the state housing development
22 authority act of 1966, Act No. 346 of the Public Acts of 1966, as
23 amended, being section 125.1415a of the Michigan Compiled Laws,
24 may claim a ~~similar~~ credit, computed pursuant to section 522,
25 ~~that shall be~~ based upon 10% of the gross rent paid.

26 (3) If the allowable amount of the credit claimed under this
27 section exceeds the state income tax otherwise due for the tax

1 year or if there is no state income tax due for the tax year, the
2 amount of the claim not used as an offset against the state
3 income tax shall, after examination and review, be approved for
4 payment, without interest, to the claimant. A payment approved
5 pursuant to this subsection to a claimant eligible for a credit
6 under subsection (1) shall be made in a check or warrant exclu-
7 sive of refunds due for withholdings or other credits allowed by
8 this act. In determining the amount of this check or warrant,
9 withholdings and other credits shall be used first to offset any
10 tax liabilities.

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

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

23 (6) A person who discriminates in the charging or collection
24 of rent on a homestead by increasing the rent charged or col-
25 lected because the renter or lessee is claiming and receiving a
26 credit or payment under this chapter is guilty of a misdemeanor.
27 Discrimination against a renter claiming and receiving the credit

1 by reduction of rent on the homestead of a person not claiming or
2 receiving the credit is a misdemeanor. If discriminatory rents
3 are charged or collected, each charge ~~and~~ OR collection of
4 ~~both~~ EITHER the higher ~~and~~ OR lower payment is a separate
5 offense. Each acceptance of a payment of rent is a separate
6 offense.

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

26 (8) For tax years commencing after December 31, 1984, a
27 credit under subsection (1) or (2) shall be reduced by 10% for

1 each claimant whose household income exceeds \$73,650.00 and by an
2 additional 10% for each increment of \$1,000.00 of household
3 income in excess of \$73,650.00.

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

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

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

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

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

26 (11) The department may promulgate rules to implement
27 subsections (9) to (16) and may prescribe a table to allow a

1 claimant to determine the credit provided under subsections (9)
2 to (16) and section 522 in the instruction booklet that accom-
3 panies the respective income tax or property tax credit forms
4 used by claimants.

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

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

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

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

1 have primary responsibility for taxation legislation 2 years
2 after the credit provided by subsections (9) to (16) is in
3 effect.

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

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:

	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 FOR A TAX YEAR BEFORE THE 1993

1 TAX YEAR OR 20% OF THE TOTAL ANNUAL RENT PAID ON THE PROPERTY FOR
2 THE 1993 TAX YEAR AND EACH TAX YEAR AFTER THE 1993 TAX YEAR by
3 the property tax rate on the property.

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

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

10 (i) If the state equalized value of the homestead is
11 \$3,500.00 or less, — 100% of the property taxes.

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

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

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

21 (4) As used in this section, "totally and permanently
22 disabled" means disability as defined in section 216 of title II
23 of the social security act, CHAPTER 531, 49 STAT. 620, 42 U.S.C.
24 416.

25 (5) A senior citizen who has a total household income for
26 the taxable year of \$6,000.00 or less and who for 1973 received a
27 senior citizen homestead exemption under former section 7c of THE

1 GENERAL PROPERTY TAX ACT, Act No. 206 of the Public Acts of 1893,
2 may compute the credit against the state income tax liability for
3 a percentage of the property taxes on the homestead for the tax-
4 able year determined as follows:

5 (a) If the state equalized value of the homestead is
6 \$2,500.00 or less, — 100% of the property taxes.

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

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

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

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

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

1 Sec. 532. The department shall prescribe forms for claiming
2 the HOMESTEAD AND RENTERS PROPERTY TAX credit ALLOWED UNDER
3 SECTIONS 520 AND 522, which ~~forms~~ shall be a component part of
4 the state income tax return. ~~, except as provided in~~
5 ~~section 531.~~ THE DEPARTMENT SHALL INCLUDE, ON THE MICHIGAN
6 INCOME TAX EASY RETURN FORM MI-1040EZ, THE FORMS NECESSARY TO
7 CLAIM THE HOMESTEAD AND RENTERS PROPERTY TAX CREDIT ALLOWED UNDER
8 SECTIONS 520 AND 522 AND THE CREDIT ALLOWED UNDER SECTION 527A.
9 All provisions of this act including but not limited to audit,
10 review, determinations, appeals, hearings, notices, assessments,
11 and administration shall apply to this chapter.

12 Section 2. This amendatory act is effective for the 1993
13 tax year and each tax year after 1993.

14 Section 3. This amendatory act shall not take effect unless
15 Senate Bill No. 681
16 of the 87th Legislature is enacted into law.