



# HOUSE BILL No. 5980

July 2, 1996, Introduced by Rep. Profit and referred to the Committee on Tax Policy.

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. 245 of the Public Acts of 1995 and section 522 as amended by Act No. 55 of the Public Acts of 1996, 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. 245 of the  
3 Public Acts of 1995 and section 522 as amended by Act No. 55 of  
4 the Public Acts of 1996, 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 in this chapter, a claimant may claim against the tax

1 due under this act for the tax year a credit for the property  
2 taxes on the taxpayer's homestead deductible for federal income  
3 tax purposes pursuant to section 164 of the internal revenue  
4 code, or that would have been deductible if the claimant had not  
5 elected the zero bracket amount or if the claimant had been  
6 subject to the federal income tax. The property taxes used for  
7 the credit computation shall not be greater than the amount  
8 levied for 1 tax year.

9 (2) A person who rents or leases a homestead may claim a  
10 similar credit computed under this section and section 522 based  
11 upon 17% of the gross rent paid for tax years before the 1994 tax  
12 year ~~—~~ or 20% of the gross rent paid for tax years after the  
13 1993 tax year, OR FOR TAX YEARS AFTER THE 1995 TAX YEAR BASED  
14 UPON CALCULATIONS MADE UNDER SUBSECTION (3). A person who rents  
15 or leases a homestead subject to a service charge in lieu of ad  
16 valorem taxes as provided by section 15a of the state housing  
17 development authority act of 1966, Act No. 346 of the Public Acts  
18 of 1966, being section 125.1415a of the Michigan Compiled Laws,  
19 may claim a similar credit computed under this section and  
20 section 522 based upon 10% of the gross rent paid.

21 (3) FOR TAX YEARS AFTER THE 1995 TAX YEAR, A PERSON WHO  
22 RENTS OR LEASES A HOMESTEAD MAY CLAIM A CREDIT UNDER THIS SECTION  
23 AND SECTION 522 EQUAL TO THE FOLLOWING PERCENTAGE OF GROSS RENT  
24 PAID FOR THE TAX YEAR:

25 (A) FOR THE 1996 TAX YEAR, 3%.

26 (B) FOR THE 1997 TAX YEAR, 4%.

1 (C) FOR THE 1998 TAX YEAR, 6%.

2 (D) FOR THE 1999 TAX YEAR, 8%.

3 (E) FOR TAX YEARS AFTER THE 1999 TAX YEAR, 10%.

4 (4) ~~-(3)-~~ If the credit claimed under this section and  
5 section 522 exceeds the tax liability for the tax year or if  
6 there is no tax liability for the tax year, the amount of the  
7 claim not used as an offset against the tax liability shall,  
8 after examination and review, be approved for payment, without  
9 interest, to the claimant. In determining the amount of the pay-  
10 ment under this subsection, withholdings and other credits shall  
11 be used first to offset any tax liabilities.

12 (5) ~~-(4)-~~ If the homestead is an integral part of a multi-  
13 purpose or multidwelling building that is federally aided housing  
14 or state aided housing, a claimant who is a senior citizen enti-  
15 tled to a payment under subsection (2) OR (3) may assign the  
16 right to that payment to a mortgagor if the mortgagor reduces the  
17 rent charged and collected on the claimant's homestead in an  
18 amount equal to the tax credit payment provided in this chapter.  
19 The assignment of the claim is valid only if the Michigan state  
20 housing development authority, by affidavit, verifies that the  
21 claimant's rent has been so reduced.

22 (6) ~~-(5)-~~ Only the renter or lessee shall claim a credit on  
23 property that is rented or leased as a homestead.

24 (7) ~~-(6)-~~ A person who discriminates in the charging or col-  
25 lection of rent on a homestead by increasing the rent charged or  
26 collected because the renter or lessee claims and receives a  
27 credit or payment under this chapter is guilty of a misdemeanor.

1 Discrimination against a renter who claims and receives the  
2 credit under this section and section 522 by a reduction of the  
3 rent on the homestead of a person who does not claim and receive  
4 the credit is a misdemeanor. If discriminatory rents are charged  
5 or collected, each charge or collection of the higher or lower  
6 payment is a separate offense. Each acceptance of a payment of  
7 rent is a separate offense.

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

1       (9) ~~-(8)-~~ A credit under subsection (1) or (2) BUT NOT A  
2 CREDIT CALCULATED UNDER SUBSECTION (3) shall be reduced by 10%  
3 for each claimant whose household income exceeds \$73,650.00 and  
4 by an additional 10% for each increment of \$1,000.00 of household  
5 income in excess of \$73,650.00.

6       (10) ~~-(9)-~~ If the credit authorized and calculated under  
7 this section and section 522 and adjusted under subsection ~~-(7)-~~  
8 ~~or~~ (8) OR (9) does not provide to a senior citizen who rents or  
9 leases a homestead that amount attributable to rent that consti-  
10 tutes more than 40% of the household income of the senior citi-  
11 zen, the senior citizen may claim a credit based upon the amount  
12 of household income attributable to rent as provided by this  
13 section.

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

23       (12) ~~-(11)-~~ The department may promulgate rules to implement  
24 subsections ~~-(9)-~~ (10) to ~~-(16)-~~ (15) and may prescribe a table  
25 to allow a claimant to determine the credit provided under this  
26 section and section 522 in the instruction booklet that

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

3 (13) ~~(+2)~~ A senior citizen may claim the credit under sub-  
4 sections ~~(9)~~ (10) to ~~(+6)~~ (15) on the same form as the prop-  
5 erty tax credit permitted by subsection (2) OR (3). The depart-  
6 ment shall adjust the forms accordingly.

7 (14) ~~(+3)~~ A senior citizen who moves to a different rented  
8 or leased homestead shall determine, for 2 tax years after the  
9 move, both his or her qualification to claim a credit under sub-  
10 sections ~~(9)~~ (10) to ~~(+6)~~ (15) and the amount of a credit  
11 under subsections ~~(9)~~ (10) to ~~(+6)~~ (15) on the basis of the  
12 annualized final monthly rental payment at his or her previous  
13 homestead, if this annualized rental is less than the senior  
14 citizen's actual annual rental payments.

15 (15) ~~(+4)~~ For a return of less than 12 months, the claim  
16 for a credit under subsections ~~(9)~~ (10) to ~~(+6)~~ (15) shall be  
17 reduced proportionately.

18 ~~(+5) The Michigan state housing development authority shall~~  
19 ~~report on the effect of the credit provided by subsections (9) to~~  
20 ~~(+6) 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 (+6), 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 this section and section  
4 522 EXCEPT FOR A CREDIT CALCULATED UNDER SUBSECTION (3) shall not  
5 exceed \$1,200.00 per year.

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

8 (a) A claimant is entitled to a credit against the state  
9 income tax liability equal to 60% of the amount by which the  
10 property taxes on the homestead, or the credit for rental of the  
11 homestead for the taxable year, exceeds 3.5% of the claimant's  
12 household income for that taxable year.

13 (b) A claimant who is a senior citizen or a paraplegic,  
14 HEMIPLEGIC, or quadriplegic is entitled to a credit against the  
15 state income tax liability for the amount by which the property  
16 taxes on the homestead, OR the credit for rental of the homestead  
17 ~~—~~ CALCULATED UNDER SECTION 520(2) or FOR a service charge in  
18 lieu of ad valorem taxes as provided by section 15a of the state  
19 housing development authority act of 1966, Act No. 346 of the  
20 Public Acts of 1966, being section 125.1415a of the Michigan  
21 Compiled Laws, for the taxable year exceeds the percentage of the  
22 claimant's household income for that taxable year computed as  
23 follows:

24

1	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 is  
8 entitled to a credit against the state income tax liability equal  
9 to 60% of the amount by which the property taxes on the home-  
10 stead, or the credit for rental of the homestead CALCULATED UNDER  
11 SECTION 520(2) or for a service charge in lieu of ad valorem  
12 taxes as provided in section 15a of Act No. 346 of the Public  
13 Acts of 1966, for the taxable year, exceeds the percentage of the  
14 claimant's household income for that taxable year based on the  
15 schedule in subdivision (b).

16 (d) A claimant who is an eligible serviceperson, eligible  
17 veteran, or eligible widow or widower is entitled to a credit  
18 against the state income tax liability for a percentage of the  
19 property taxes on the homestead for the taxable year not in  
20 excess of 100% determined as follows:

21 (i) Divide the state equalized value allowance specified in  
22 section 506 by the state equalized value of the homestead or, if  
23 the eligible serviceperson, eligible veteran, or eligible widow  
24 or widower leases or rents a homestead AND CLAIMS A CREDIT CALCU-  
25 LATED UNDER SECTION 520(2), divide 17% of the total annual rent  
26 paid for tax years before the 1994 tax year, or 20% of the total



1 annual rent paid for tax years after the 1993 tax year on the  
2 property by the property tax rate on the property.

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

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

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

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

14 (2) A person who is qualified to make a claim under more  
15 than 1 classification shall elect the classification under which  
16 the claim is made.

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

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

23 (5) A senior citizen who has a total household income for  
24 the taxable year of \$6,000.00 or less and who for 1973 received a  
25 senior citizen homestead exemption under former section 7c of the  
26 general property tax act, Act No. 206 of the Public Acts of 1893,  
27 may compute the credit against the state income tax liability for

1 a percentage of the property taxes on the homestead for the  
2 taxable year determined as follows:

3 (a) If the state equalized value of the homestead is  
4 \$2,500.00 or less, 100% of the property taxes.

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

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

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

12 (8) The total credit allowed in this section for each year  
13 after December 31, 1975 shall not exceed \$1,200.00 per year.

14 (9) The total credit allowable under this act and part 361  
15 (farmland and open space preservation) of the natural resources  
16 and environmental protection act, Act No. 451 of the Public Acts  
17 of 1994, being sections 324.36101 to 324.36117 of the Michigan  
18 Compiled Laws, shall not exceed the total property tax due and  
19 payable by the claimant in that year. The amount by which the  
20 credit exceeds the property tax due and payable shall be deducted  
21 from the credit claimed under part 361 of Act No. 451 of the  
22 Public Acts of 1994.