

# HOUSE BILL No. 5021

July 8, 1997, Introduced by Reps. Raczkowski, Whyman, Goschka, Kelly, Voorhees, Bodem, McBryde, Cassis and Perricone and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled "Income tax act of 1967," by amending sections 520 and 522 (MCL 206.520 and 206.522), section 520 as amended by 1995 PA 245 and section 522 as amended by 1996 PA 484.

## **THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 520. (1) Subject to the limitations and the defini-  
2 tions in this chapter, a claimant may claim against the tax due  
3 under this act for the tax year a credit for the property taxes  
4 on the taxpayer's homestead deductible for federal income tax  
5 purposes pursuant to section 164 of the internal revenue code, or  
6 that would have been deductible if the claimant had not elected  
7 the zero bracket amount or if the claimant had been subject to  
8 the federal income tax. The property taxes used for the credit

1 computation shall not be greater than the amount levied for 1 tax  
2 year.

3 (2) A person who rents or leases a homestead may claim a  
4 similar credit computed under this section and section 522 based  
5 upon 17% of the gross rent paid for tax years before the 1994 tax  
6 year, or 20% of the gross rent paid for tax years after the 1993  
7 tax year. A person who rents or leases a homestead subject to a  
8 service charge in lieu of ad valorem taxes as provided by  
9 section 15a of the state housing development authority act of  
10 1966, ~~Act No. 346 of the Public Acts of 1966, being~~  
11 ~~section 125.1415a of the Michigan Compiled Laws~~ 1966 PA 346, MCL  
12 125.1415A, may claim a similar credit computed under this section  
13 and section 522 based upon 10% of the gross rent paid.

14 (3) If the credit claimed under this section and section 522  
15 exceeds the tax liability for the tax year or if there is no tax  
16 liability for the tax year, the amount of the claim not used as  
17 an offset against the tax liability shall, after examination and  
18 review, be approved for payment, without interest, to the  
19 claimant. In determining the amount of the payment under this  
20 subsection, withholdings and other credits shall be used first to  
21 offset any tax liabilities.

22 (4) If the homestead is an integral part of a multipurpose  
23 or multidwelling building that is federally aided housing or  
24 state aided housing, a claimant who is a senior citizen entitled  
25 to a payment under subsection (2) may assign the right to that  
26 payment to a mortgagor if the mortgagor reduces the rent charged  
27 and collected on the claimant's homestead in an amount equal to

1 the tax credit payment provided in this chapter. The assignment  
2 of the claim is valid only if the Michigan state housing develop-  
3 ment authority, by affidavit, verifies that the claimant's rent  
4 has been so reduced.

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

7 (6) A person who discriminates in the charging or collection  
8 of rent on a homestead by increasing the rent charged or col-  
9 lected because the renter or lessee claims and receives a credit  
10 or payment under this chapter is guilty of a misdemeanor.

11 Discrimination against a renter who claims and receives the  
12 credit under this section and section 522 by a reduction of the  
13 rent on the homestead of a person who does not claim and receive  
14 the credit is a misdemeanor. If discriminatory rents are charged  
15 or collected, each charge or collection of the higher or lower  
16 payment is a separate offense. Each acceptance of a payment of  
17 rent is a separate offense.

18 (7) A person who received aid to families with dependent  
19 children, state family assistance, FAMILY INDEPENDENCE  
20 ASSISTANCE, or state disability assistance pursuant to the social  
21 welfare act, ~~Act No. 280 of the Public Acts of 1939, as amended,~~  
22 ~~being sections 400.1 to 400.119b of the Michigan Compiled Laws~~  
23 1939 PA 280, MCL 400.1 TO 400.119B, in the tax year for which the  
24 person is filing a return shall have a credit that is authorized  
25 and computed under this section and section 522 reduced by an  
26 amount equal to the product of the claimant's credit multiplied  
27 by the quotient of the sum of the claimant's aid to families with

1 dependent children, state family assistance, FAMILY INDEPENDENCE  
2 ASSISTANCE, and state disability assistance for the tax year  
3 divided by the claimant's household income. The reduction of  
4 credit shall not exceed the sum of the aid to families with  
5 dependent children, state family assistance, FAMILY INDEPENDENCE  
6 ASSISTANCE, and state disability assistance for the tax year.  
7 For the purposes of this subsection, aid to families with depen-  
8 dent children ~~does~~ AND FAMILY INDEPENDENCE ASSISTANCE DO not  
9 include child support payments that offset or reduce payments  
10 made to the claimant.

11 (8) A credit under subsection (1) or (2) shall be reduced by  
12 10% for each claimant whose household income exceeds \$73,650.00  
13 and by an additional 10% for each increment of \$1,000.00 of  
14 household income in excess of \$73,650.00.

15 (9) If the credit authorized and calculated under this sec-  
16 tion and section 522 and adjusted under subsection (7) or (8)  
17 does not provide to a senior citizen who rents or leases a home-  
18 stead that amount attributable to rent that constitutes more than  
19 40% of the household income of the senior citizen, the senior  
20 citizen may claim a credit based upon the amount of household  
21 income attributable to rent as provided by this section.

22 (10) A senior citizen whose gross rent paid for the tax year  
23 is more than the percentage of household income specified in sub-  
24 section (9) for the respective tax year may claim a credit for  
25 the amount of rent paid that constitutes more than the percentage  
26 of the household income of the senior citizen specified in  
27 subsection (9) and that was not provided to the senior citizen by

1 the credit computed pursuant to this section and section 522 and  
2 adjusted pursuant to subsection (7) or (8).

3 (11) The department may promulgate rules to implement sub-  
4 sections (9) to (16) and may prescribe a table to allow a claim-  
5 ant to determine the credit provided under this section and sec-  
6 tion 522 in the instruction booklet that accompanies the respec-  
7 tive income tax or property tax credit forms used by claimants.

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

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

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

22 (15) The Michigan state housing development authority shall  
23 report on the effect of the credit provided by subsections (9) to  
24 (16) on the price of rented and leased homesteads. If the  
25 authority determines that the price of rented and leased home-  
26 steads has increased as a result of the credit provided by  
27 subsections (9) to (16), the authority shall make recommendations

1 to the legislature to remedy this situation. The report shall be  
2 made to the chairpersons of the house and senate committees that  
3 have primary responsibility for taxation legislation 2 years  
4 after the credit provided by subsections (9) to (16) is in  
5 effect.

6 (16) ~~The~~ FOR TAX YEARS BEFORE THE 1997 TAX YEAR, THE total  
7 credit allowed by this section and section 522 shall not exceed  
8 \$1,200.00 per year. FOR TAX YEARS AFTER THE 1996 TAX YEAR, THE  
9 TOTAL CREDIT ALLOWED BY THIS SECTION AND SECTION 522 SHALL NOT  
10 EXCEED \$1,600.00 PER YEAR.

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

13 (a) A claimant is entitled to a credit against the state  
14 income tax liability equal to 60% of the amount by which the  
15 property taxes on the homestead, or the credit for rental of the  
16 homestead for the tax year, exceeds 3.5% of the claimant's house-  
17 hold income for that tax year.

18 (b) A claimant who is a senior citizen or a paraplegic,  
19 hemiplegic, or quadriplegic is entitled to a credit against the  
20 state income tax liability for the amount by which the property  
21 taxes on the homestead, the credit for rental of the homestead,  
22 or a service charge in lieu of ad valorem taxes as provided by  
23 section 15a of the state housing development authority act of  
24 1966, ~~Act No. 346 of the Public Acts of 1966, being section~~  
25 ~~125.1415a of the Michigan Compiled Laws~~ 1966 PA 346, MCL  
26 125.1415A, for the tax year exceeds the percentage of the

1 claimant's household income for that tax year computed as  
2 follows:

3

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

10 (c) A claimant who is totally and permanently disabled is  
11 entitled to a credit against the state income tax liability equal  
12 to 60% of the amount by which the property taxes on the home-  
13 stead, or the credit for rental of the homestead or for a service  
14 charge in lieu of ad valorem taxes as provided in section 15a of  
15 ~~Act No. 346 of the Public Acts of 1966~~ THE STATE HOUSING DEVEL-  
16 OPMENT AUTHORITY ACT OF 1966, 1966 PA 346, MCL 125.1415A, for the  
17 tax year, exceeds the percentage of the claimant's household  
18 income for that tax year based on the schedule in subdivision  
19 (b).

20 (d) A claimant who is an eligible serviceperson, eligible  
21 veteran, or eligible widow or widower is entitled to a credit  
22 against the state income tax liability for a percentage of the  
23 property taxes on the homestead for the tax year not in excess of  
24 100% determined as follows:

25 (i) Divide the taxable value allowance specified in section  
26 506 by the taxable value of the homestead or, if the eligible  
27 serviceperson, eligible veteran, or eligible widow or widower

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1 leases or rents a homestead, divide 17% of the total annual rent  
2 paid for tax years before the 1994 tax year, or 20% of the total  
3 annual rent paid for tax years after the 1993 tax year on the  
4 property by the property tax rate on the property.

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

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

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

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

15 (2) A person who is qualified to make a claim under more  
16 than 1 classification shall elect the classification under which  
17 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, 42 U.S.C. 416.

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

1 ~~1893~~ 1893 PA 206, may compute the credit against the state  
2 income tax liability for a percentage of the property taxes on  
3 the homestead for the tax year determined as follows:

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

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

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

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

13 (8) The total credit allowed ~~in~~ BY this section ~~for each~~  
14 ~~year after December 31, 1975~~ shall not exceed ~~-\$1,200.00 per~~  
15 ~~year~~ THE MAXIMUM ALLOWABLE UNDER SECTION 520(16).

16 (9) The total credit allowable under this act and part 361  
17 ~~(farmland and open space preservation)~~ of the natural resources  
18 and environmental protection act, ~~Act No. 451 of the Public Acts~~  
19 ~~of 1994, being sections 324.36101 to 324.36117 of the Michigan~~  
20 ~~Compiled Laws~~ 1994 PA 451, MCL 324.36101 TO 324.36117, shall not  
21 exceed the total property tax due and payable by the claimant in  
22 that year. The amount by which the credit exceeds the property  
23 tax due and payable shall be deducted from the credit claimed  
24 under part 361 of ~~Act No. 451 of the Public Acts of 1994~~ THE  
25 NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451,  
26 MCL 324.36101 TO 324.36117.