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RAISE SR. CIRCUIT BREAKER

House Bill 4353
Sponsor: Rep. Andy Neumann
Committee: Tax Policy

Complete to 4-19-99

A SUMMARY OF HOUSE BILL 4053 AS INTRODUCED 3-2-99

The bill would amend the Income Tax Act to increase the homestead property tax credit available to senior citizens and certain other taxpayers by changing the household income brackets, as explained below. The bill would also index the current maximum credit to the U.S. consumer price index for all urban consumers. The changes would be for the 1998 tax year and tax years thereafter.

The Income Tax Act provides a refundable credit for property taxes paid in excess of a certain percentage of household income. Generally, taxpayers can claim a credit equal to 60 percent of property taxes paid on a homestead in excess of 3.5 percent of household income. However, for senior citizens and certain other specified categories of taxpayers, the credit is 100 percent of property taxes in excess of a specified percentage of household income, from 3.5 percent to 0 percent, based on the household income of the claimant. Totally and permanently disabled persons also use the scale of household incomes, although they can only claim 60 percent of the excess property taxes. The credit to any claimant cannot exceed $1,200. Renters can claim the credit by substituting 20 percent of rent for property taxes. Senior citizens who rent can use an alternative calculation if their rent exceeds 40 percent of household income; then, they can claim a credit equal to the amount rent paid exceeds 40 percent of household income. The homestead property tax credit is phased out beginning with households earning $73,650. Households earning $82,650 or more cannot claim a credit. House Bill 4353 would alter the brackets for determining the percentage of household income used in calculating the credit.

Currently, senior citizens, paraplegics, hemiplegics, quadriplegics, and the totally and permanently disabled with household incomes over $6,000 use 3.5 percent of household income in calculating the credit; those with smaller incomes use a smaller percentage. Those with incomes of $5,001 to $6,000 use 3 percent; those with incomes of $4,001 to $5,000 use 2 percent; those with incomes of $3,001 to $4,000 use 1 percent; those with incomes of $3,000 or less use 0 percent. Under House Bill 4353, senior citizens with incomes over $12,000 would use 3.5 percent of household income; those with incomes of $10,001 to $12,000 would use 3 percent; those with incomes of $8,001 to $10,000 would use 2 percent; those with incomes of $6,001 to $8,000 would use 1 percent; and those with household incomes of $6,000 of less would use 0 percent.

The term "senior citizen" in the act refers to an individual or one of two persons filing a joint tax return who is 65 years of age or older at the close of the tax year. The term also includes the unremarried surviving spouse of a person who was 65 or older at death. The term "household income" is defined to mean all income received by all persons of a household, and the term "household" refers to a claimant and spouse. In calculating household income, a claimant begins with federal adjusted gross income and then adds income excluded or exempt from computations of federal adjusted gross income. There are only a few kinds of income excluded from household income.

MCL 206.520 and 206.522

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