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House Bill 4008 (Substitute S-2 as reported) Sponsor: Representative Brian Palmer

House Committee: Tax Policy Senate Committee: Finance

CONTENT

The bill would amend the Income Tax Act to redefine the term "property taxes" (used in the calculation of the homestead property tax credit), for the 2003 tax year and thereafter, to include special assessments levied for police, fire, or advanced life support in a township.

Under the Act, if a taxpayer qualifies, he or she may claim a credit for the amount of property taxes paid on a homestead that exceeds a certain percentage of the taxpayer's household income. In general, this homestead property tax credit is equal to 60% of the amount by which the taxpayer's property taxes exceed 3.5% of household income. The property taxes included in the calculation are those paid by the taxpayer on a homestead in the State (including a property tax administration fee), but do not include penalties, interest, or special assessments unless they are assessed in the entire city, village, or township and based on State equalized valuation (SEV) or taxable value.

The bill provides that "property taxes" would be property taxes paid by the taxpayer on a homestead in the State (including property tax administration fees) but would not include penalties, interest, or special assessments, unless a special assessment was levied using a uniform millage rate on all real property not exempt by State law from such a levy, was based on SEV or taxable value, and was either: 1) levied in an entire city, village, or township; or 2) for police, fire, or advanced life support and levied in an entire township excluding all or a portion of a village within the township.

The bill is tie-barred to Senate Bill 23, which provides that the current definition of "property taxes" would apply to tax years before 2003.

MCL 206.512 Legislative Analyst: George Towne

FISCAL IMPACT

The bill would reduce General Fund/General Purpose and possibly School Aid Fund revenues.

Based upon the special assessments levied in 2001 and information from the Department of Treasury, the bill would reduce revenues by approximately \$0.6 million per year. If this entire amount were claimed through the homestead property tax credit, then the entire impact would fall on the General Fund. To the extent that taxpayers adjusted their withholding and/or estimated payments to reflect a larger tax credit, a portion of the impact would reduce School Aid Fund revenues. It is expected that the overwhelming majority of the bill's impact would affect the General Fund.

This estimate is preliminary and will be revised as new information becomes available.

Date Completed: 5-23-03 Fiscal Analyst: David Zin