

# HOUSE BILL No. 4442

March 25, 2003, Introduced by Reps. Vagnozzi, Condino, Plakas, Bieda, Lipsey, Murphy, Brandenburg and Clack 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 2000 PA 41.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

1 levied for 1 tax year.

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

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

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

1 the claim is valid only if the Michigan state housing development  
2 authority, by affidavit, verifies that the claimant's rent has  
3 been so reduced.

4 (5) Only the renter or lessee shall claim a credit on  
5 property that is rented or leased as a homestead.

6 (6) A person who discriminates in the charging or collection  
7 of rent on a homestead by increasing the rent charged or  
8 collected because the renter or lessee claims and receives a  
9 credit or payment under this chapter is guilty of a misdemeanor.  
10 Discrimination against a renter who claims and receives the  
11 credit under this section and section 522 by a reduction of the  
12 rent on the homestead of a person who does not claim and receive  
13 the credit is a misdemeanor. If discriminatory rents are charged  
14 or collected, each charge or collection of the higher or lower  
15 payment is a separate offense. Each acceptance of a payment of  
16 rent is a separate offense.

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

1 ~~assistance, and state disability~~ assistance **through family**  
 2 **independence programs pursuant to the social welfare act, 1939 PA**  
 3 **280, MCL 400.1 to 400.119b,** for the tax year divided by the  
 4 claimant's household income. The reduction of credit shall not  
 5 exceed the sum of the ~~aid to families with dependent children,~~  
 6 ~~state family assistance, and state disability~~ assistance **through**  
 7 **family independence programs pursuant to the social welfare act,**  
 8 **1939 PA 280, MCL 400.1 to 400.119b,** for the tax year. For the  
 9 purposes of this subsection, ~~aid to families with dependent~~  
 10 ~~children~~ **any assistance through family independence programs**  
 11 does not include child support payments that offset or reduce  
 12 payments made to the claimant.

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

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

25 (10) A senior citizen whose gross rent paid for the tax year  
 26 is more than the percentage of household income specified in  
 27 subsection (9) for the respective tax year may claim a credit for

1 the amount of rent paid that constitutes more than the percentage  
2 of the household income of the senior citizen specified in  
3 subsection (9) and that was not provided to the senior citizen by  
4 the credit computed pursuant to this section and section 522 and  
5 adjusted pursuant to subsection (7) or (8).

6 (11) The department may promulgate rules to implement  
7 subsections (9) to ~~-(16)-~~ **(14)** and may prescribe a table to allow  
8 a claimant to determine the credit provided under this section  
9 and section 522 in the instruction booklet that accompanies the  
10 respective income tax or property tax credit forms used by  
11 claimants.

12 (12) A senior citizen may claim the credit under subsections  
13 (9) to ~~-(16)-~~ **(14)** on the same form as the property tax credit  
14 permitted by subsection (2). The department shall adjust the  
15 forms accordingly.

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

24 (14) For a return of less than 12 months, the claim for a  
25 credit under subsections (9) to ~~-(16)-~~ **(14)** shall be reduced  
26 proportionately.

27 (15) The Michigan state housing development authority shall

1 report on the effect of the credit provided by subsections (9) to  
 2 ~~-(16)-~~ **(14)** on the price of rented and leased homesteads. If the  
 3 authority determines that the price of rented and leased  
 4 homesteads has increased as a result of the credit provided by  
 5 subsections (9) to ~~-(16)-~~ **(14)**, the authority shall make  
 6 recommendations to the legislature to remedy this situation. The  
 7 report shall be made to the chairpersons of the house and senate  
 8 committees that have primary responsibility for taxation  
 9 legislation 2 years after the credit provided by subsections (9)  
 10 to ~~-(16)-~~ **(14)** is in effect.

11 (16) The total credit allowed by this section and section 522  
 12 shall not exceed \$1,200.00 ~~per year~~ **for tax years that begin**  
 13 **before January 1, 2003 and \$1,500.00 for tax years that begin**  
 14 **after December 31, 2002.**

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

17 (a) A claimant is entitled to a credit against the state  
 18 income tax liability equal to 60% of the amount by which the  
 19 property taxes on the homestead, or the credit for rental of the  
 20 homestead for the tax year, exceeds 3.5% of the claimant's  
 21 household income for that tax year.

22 (b) A claimant who is a senior citizen or a paraplegic,  
 23 hemiplegic, or quadriplegic and for tax years that begin after  
 24 December 31, 1999, a claimant who is totally and permanently  
 25 disabled or deaf is entitled to a credit against the state income  
 26 tax liability for the amount by which the property taxes on the  
 27 homestead, the credit for rental of the homestead, or a service

1 charge in lieu of ad valorem taxes as provided by section 15a of  
 2 the state housing development authority act of 1966, 1966 PA 346,  
 3 MCL 125.1415a, for the tax year exceeds the percentage of the  
 4 claimant's household income for that tax year computed as  
 5 follows:

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

12 (c) For a tax year that begins before January 1, 2000, a  
 13 claimant who is totally and permanently disabled is entitled to a  
 14 credit against the state income tax liability equal to 60% of the  
 15 amount by which the property taxes on the homestead, or the  
 16 credit for rental of the homestead or for a service charge in  
 17 lieu of ad valorem taxes as provided in section 15a of the state  
 18 housing development authority act of 1966, 1966 PA 346, MCL  
 19 125.1415a, for the tax year, exceeds the percentage of the  
 20 claimant's household income for that tax year based on the  
 21 schedule in subdivision (b).

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

1 100% determined as follows:

2 (i) Divide the taxable value allowance specified in section  
3 506 by the taxable value of the homestead or, if the eligible  
4 serviceperson, eligible veteran, or eligible widow or widower  
5 leases or rents a homestead, divide 17% of the total annual rent  
6 paid for tax years before the 1994 tax year, or 20% of the total  
7 annual rent paid for tax years after the 1993 tax year on the  
8 property by the property tax rate on the property.

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

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

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

16 (ii) If the taxable value of the homestead is more than  
17 \$3,500.00, the percentage that \$3,500.00 bears to the taxable  
18 value of the homestead.

19 (2) A person who is qualified to make a claim under more than  
20 1 classification shall elect the classification under which the  
21 claim is made.

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

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



(5) A senior citizen who has a total household income for the tax year of \$6,000.00 or less and who for 1973 received a senior citizen homestead exemption under former section 7c of the general property tax act, ~~Act No. 206 of the Public Acts of 1893~~ **1893 PA 206**, may compute the credit against the state income tax liability for a percentage of the property taxes on the homestead for the tax year determined as follows:

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

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

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

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

(8) The total credit allowed in this section for each year ~~after December 31, 1975~~ shall not exceed ~~\$1,200.00 per year~~ **the amount determined under section 520.**

(9) The total credit allowable under this act and part 361 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36101 to 324.36117, shall not exceed the total property tax due and payable by the claimant in that year. The amount by which the credit exceeds the property tax due and payable shall be deducted from the credit claimed under part 361 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36101 to 324.36117.