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BILL ANALYSIS

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Senate Bill 214 (as introduced 2-20-07)
Sponsor: Senator Patricia L. Birkholz
Committee: Finance

Date Completed: 5-30-07

CONTENT

The bill would amend the Income Tax Act to require the Department of Treasury to pay the amount of a property tax credit due to a qualified claimant (a person at least 65 years old or disabled) within seven business days after receiving the claim for the credit, or to pay interest on the claim.

Specifically, for tax years beginning after December 31, 2006, if a qualified claimant were eligible to receive a credit under Sections 520 and 522, the Department would have to pay the amount of the credit due to the qualified claimant no later than the seventh business day after the Department received the claim for credit.

Interest calculated at the rate for deficiencies in tax payments would have to be added to the amount of the claim beginning on the eighth day after the claim was filed or the eighth day after the date established by law for the filing of the claim under Sections 520 and 522, whichever was later.

(Section 520 allows a person to claim a tax credit for the property taxes on the taxpayer's homestead that are deductible for Federal income tax purposes or that would have been deductible if the claimant had not elected the zero bracket amount or if the claimant had been subject to the Federal income tax. Section 520 also allows a person who rents or leases a homestead to claim a similar credit.

Under Section 522, a claimant is entitled to a credit against the State income tax liability equal to 60% of the amount by which property taxes on the homestead, or the credit for rental of the homestead for the tax year, exceeds 3.5% of the claimant's household income for that tax year. A claimant who is a senior citizen, paraplegic, hemiplegic, or quadriplegic, or who is totally and permanently disabled or deaf is entitled to a credit against the State income tax liability for the amount by which the property taxes on the homestead, the credit for rental of the homestead, or a service charge instead of ad valorem taxes for the tax year exceeds a certain percentage of the claimant's household income for that tax year.)

The bill would define "qualified claimant" as an individual, his or her spouse, or the unremarried surviving spouse of an individual who meets one of the following criteria on the last day of the calendar year for which the claim under Sections 520 and 522 is filed:

-- Is a senior citizen (65 years old or older).
-- Is totally and permanently disabled.
-- Is paraplegic, quadriplegic, or hemiplegic.
-- Is blind or deaf.

If the claimant were married and the claimant's spouse met one of the criteria, the claimant and his or her spouse both would have to live in the homestead on which the claim was based.

"Blind" would mean that the sight in an individual's better eye is permanently 20/200 or less with corrective lenses or the individual's peripheral field of vision is 20 degrees or less. "Deaf" would mean the primary means of receiving messages is through a sense other than hearing, including lip reading and sign language. "Totally and permanently disabled" would mean that term as defined in Section 522, which adopts a definition of "disability" in the Social Security Act, i.e., the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or had lasted or can be expected to last for a continuous period of at least 12 months.

Proposed MCL 206.523 Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would result in increased processing costs for the Department of Treasury, as well as significant costs in interest paid if the deadline of seven business days were not met. Currently, the average processing time for these credits is four weeks. In tax year 2005, there were approximately $300 million in senior citizen property tax credits and $172,000 in blind and disabled property tax credits. At the current interest rate of 9%, that could result in up to $1.1 million in interest payments per year.

Fiscal Analyst: Stephanie Yu

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