

**SUBSTITUTE FOR
SENATE BILL NO. 191**

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

1 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 section
8 15a of the state housing development authority act of 1966, ~~Act~~
9 ~~No. 346 of the Public Acts of 1966, being section 125.1415a of~~
10 ~~the Michigan Compiled Laws 1966 PA 346, MCL 125.1415A,~~ may claim
11 a similar credit computed under this section and section 522
12 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
22 or multidwelling building that is federally aided housing or
23 state aided housing, a claimant who is a senior citizen entitled
24 to a payment under subsection (2) may assign the right to that
25 payment to a mortgagor if the mortgagor reduces the rent charged
26 and collected on the claimant's homestead in an amount equal to
27 the tax credit payment provided in this chapter. The assignment

1 of the claim is valid only if the Michigan state housing
2 development authority, by affidavit, verifies that the claimant's
3 rent has 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 assistance~~
19 **THROUGH DEPARTMENT OF HUMAN SERVICES 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 year
23 for which the person is filing a return shall have a credit that
24 is authorized and computed under this section and section 522
25 reduced by an amount equal to the product of the claimant's
26 credit multiplied by the quotient of the sum of the claimant's
27 ~~aid to families with dependent children, state family assistance,~~

1 ~~and state disability assistance~~ **THROUGH DEPARTMENT OF HUMAN**
 2 **SERVICES 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 **DEPARTMENT OF HUMAN SERVICES PROGRAMS PURSUANT TO THE SOCIAL**
 8 **WELFARE ACT, 1939 PA 280, MCL 400.1 TO 400.119B,** for the tax
 9 year. For the purposes of this subsection, ~~aid to families with~~
 10 ~~dependent children~~ **ANY ASSISTANCE THROUGH DEPARTMENT OF HUMAN**
 11 **SERVICES PROGRAMS** does not include child support payments that
 12 offset or reduce payments made to the claimant.

13 (8) ~~A~~ **FOR TAX YEARS THAT BEGIN BEFORE JANUARY 1, 2009, A**
 14 credit under subsection (1) or (2) shall be reduced by 10% for
 15 each claimant whose household income exceeds \$73,650.00 and by an
 16 additional 10% for each increment of \$1,000.00 of household
 17 income in excess of \$73,650.00. **FOR TAX YEARS THAT BEGIN ON OR**
 18 **AFTER JANUARY 1, 2009, A CREDIT UNDER SUBSECTION (1) OR (2) SHALL**
 19 **BE REDUCED BY 10% FOR EACH CLAIMANT WHOSE HOUSEHOLD INCOME**
 20 **EXCEEDS \$83,650.00 AND BY AN ADDITIONAL 10% FOR EACH INCREMENT OF**
 21 **\$1,000.00 OF HOUSEHOLD INCOME IN EXCESS OF \$83,650.00. FOR THE**
 22 **TAX YEARS THAT BEGIN AFTER DECEMBER 31, 2009, THE MAXIMUM AMOUNT**
 23 **ALLOWED UNDER THIS SUBSECTION SHALL BE ADJUSTED BY THE PERCENTAGE**
 24 **INCREASE IN THE UNITED STATES CONSUMER PRICE INDEX FOR THE**
 25 **IMMEDIATELY PRECEDING CALENDAR YEAR. THE DEPARTMENT SHALL**
 26 **ANNUALIZE THE AMOUNTS PROVIDED IN THIS SUBSECTION AS NECESSARY.**
 27 **AS USED IN THIS SUBSECTION, "UNITED STATES CONSUMER PRICE INDEX"**

1 MEANS THE UNITED STATES CONSUMER PRICE INDEX FOR ALL URBAN
2 CONSUMERS AS DEFINED AND REPORTED BY THE UNITED STATES DEPARTMENT
3 OF LABOR, BUREAU OF LABOR STATISTICS.

4 (9) If the credit authorized and calculated under this
5 section and section 522 and adjusted under subsection (7) or (8)
6 does not provide to a senior citizen who rents or leases a
7 homestead that amount attributable to rent that constitutes more
8 than 40% of the household income of the senior citizen, the
9 senior citizen may claim a credit based upon the amount of
10 household income attributable to rent as provided by this
11 section.

12 (10) A senior citizen whose gross rent paid for the tax year
13 is more than the percentage of household income specified in
14 subsection (9) for the respective tax year may claim a credit for
15 the amount of rent paid that constitutes more than the percentage
16 of the household income of the senior citizen specified in
17 subsection (9) and that was not provided to the senior citizen by
18 the credit computed pursuant to this section and section 522 and
19 adjusted pursuant to subsection (7) or (8).

20 (11) The department may promulgate rules to implement
21 subsections (9) to ~~(16)~~ (14) and may prescribe a table to allow a
22 claimant to determine the credit provided under this section and
23 section 522 in the instruction booklet that accompanies the
24 respective income tax or property tax credit forms used by
25 claimants.

26 (12) A senior citizen may claim the credit under subsections
27 (9) to ~~(16)~~ (14) on the same form as the property tax credit

1 permitted by subsection (2). The department shall adjust the
2 forms accordingly.

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

11 (14) For a return of less than 12 months, the claim for a
12 credit under subsections (9) to ~~(16)~~-(13) shall be reduced
13 proportionately.

14 (15) The Michigan state housing development authority shall
15 report on the effect of the credit provided by subsections (9) to
16 ~~(16)~~-(14) on the price of rented and leased homesteads. If the
17 authority determines that the price of rented and leased
18 homesteads has increased as a result of the credit provided by
19 subsections (9) to ~~(16)~~-(14), the authority shall make
20 recommendations to the legislature to remedy this situation. The
21 report shall be made to the chairpersons of the house and senate
22 committees that have primary responsibility for taxation
23 legislation 2 years after the credit provided by subsections (9)
24 to ~~(16)~~-(14) is in effect.

25 (16) ~~The~~ **EXCEPT AS OTHERWISE PROVIDED UNDER SUBSECTION (17),**
26 **THE** total credit allowed by this section and section 522 shall
27 not exceed \$1,200.00 ~~per year~~ **FOR TAX YEARS THAT BEGIN BEFORE**

1 JANUARY 1, 2009 AND \$1,300.00 FOR TAX YEARS THAT BEGIN AFTER
2 DECEMBER 31, 2008. FOR THE TAX YEARS THAT BEGIN AFTER DECEMBER
3 31, 2009, THE MAXIMUM AMOUNT ALLOWED UNDER THIS SUBSECTION SHALL
4 BE ADJUSTED BY THE PERCENTAGE INCREASE IN THE UNITED STATES
5 CONSUMER PRICE INDEX FOR THE IMMEDIATELY PRECEDING CALENDAR YEAR.
6 THE DEPARTMENT SHALL ANNUALIZE THE AMOUNTS PROVIDED IN THIS
7 SUBSECTION AS NECESSARY. AS USED IN THIS SUBSECTION, "UNITED
8 STATES CONSUMER PRICE INDEX" MEANS THE UNITED STATES CONSUMER
9 PRICE INDEX FOR ALL URBAN CONSUMERS AS DEFINED AND REPORTED BY
10 THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR
11 STATISTICS.

12 (17) A SENIOR CITIZEN AND A PERSON WHO IS TOTALLY AND
13 PERMANENTLY DISABLED AS DEFINED IN SECTION 522 IS ALLOWED AN
14 ADDITIONAL \$50.00 CREDIT UNDER THIS SECTION.

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) A senior citizen who has a total household income for

1 the tax year of \$6,000.00 or less and who for 1973 received a
2 senior citizen homestead exemption under former section 7c of the
3 general property tax act, ~~Act No. 206 of the Public Acts of 1893~~
4 **1893 PA 206**, may compute the credit against the state income tax
5 liability for a percentage of the property taxes on the homestead
6 for the tax year determined as follows:

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

9 (b) If the taxable value of the homestead is more than
10 \$2,500.00, the percentage that \$2,500.00 bears to the taxable
11 value of the homestead.

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

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

16 (8) The total credit allowed in this section for each year
17 ~~after December 31, 1975 shall not exceed \$1,200.00 per year~~ **THE**
18 **AMOUNT DETERMINED UNDER SECTION 520.**

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