# Legislative Analysis

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## HOMESTEAD PROPERTY TAX CREDIT: CALCULATION OF HOMESTEAD'S VALUE

**House Bill 4990**
**Sponsor: Rep. Jud Gilbert, II**
**Committee: Tax Policy**

**Complete to 10-3-11**

## A SUMMARY OF HOUSE BILL 4990 AS INTRODUCED 9-20-11

Recent amendments to the Income Tax Act restricted the availability of the homestead property tax credit (or "circuit breaker") to homesteads with a taxable value of $135,000 or less. Owners of homestead property with a higher value cannot claim the credit as of January 1, 2012.

House Bill 4990 would exclude all unoccupied real property classified as agricultural when calculating the taxable value of property for purposes of eligibility for the credit.

As of January 1, 2012, a claimant who is not a senior citizen will entitled to a credit against the state income tax equal to 60% of the amount by which property taxes (or imputed property taxes for renters) on the homestead exceed 3.5% of the claimant's total household resources for that tax year. For senior citizens the credit will be equal to 100% of the amount by which property taxes exceed 3.5% of total household resources for those with total household resources of $21,000 or less; and 96% for those with total household resources over $21,000 and up to $22,000. The percentage that can be claimed is reduced by 4% for each additional $1,000 in total household resources, ending with those with total household resources of over $30,000 able to claim 60% of the amount by which property taxes exceed 3.5% of total household resources. The total credit cannot exceed $1,200. Taxpayers with total household resources above $50,000 will not be able claim the credit, and the credit will phase out for those with total household resources between $41,000 and $50,000.

MCL 206.520

## FISCAL IMPACT:

As written, the bill would reduce income tax revenue by $2.0 to $3.0 million.

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