

Legislative Analysis



HOMESTEAD PROPERTY TAX CREDIT: CALCULATION OF HOMESTEAD'S VALUE

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House Bill 4990 (Substitute H-1)
Sponsor: Rep. Jud Gilbert, II
Committee: Tax Policy

Complete to 10-5-11

A SUMMARY OF HOUSE BILL 4990 AS REPORTED FROM COMMITTEE

Recent amendments to the Income Tax Act (MCL 206.520) 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 the portion of a parcel of real property that is unoccupied and classified as agricultural when calculating the taxable value of property for purposes of eligibility for the credit. This provision is considered a follow-up and clean-up bill to the recently enacted tax changes so as not to prevent farmers from receiving a homestead credit on their homes because of the value of related unoccupied agricultural property.

As of January 1, 2012, a claimant who is not a senior citizen will be 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 to claim the credit, and the credit will phase out for those with total household resources between \$41,000 and \$50,000.

FISCAL IMPACT:

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

POSITIONS:

The Department of Treasury and the Michigan Farm Bureau have indicated support for the bill. (10-5-11)

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