

HOUSE BILL No. 4002

January 13, 2011, Introduced by Rep. Rendon and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending sections 510, 520, and 522 (MCL 206.510, 206.520, and
206.522), sections 510 and 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. 510. (1) "Income" means the sum of federal adjusted
2 gross income as defined in the internal revenue code plus all
3 income specifically excluded or exempt from the computations of
4 the federal adjusted gross income except that beginning with the
5 1988 tax year, a deduction for a carryback or carryover of a net
6 operating loss shall not exceed federal modified taxable income
7 as defined in section 172(b)(2) of the internal revenue code.
8 Also, a person who is enrolled in an accident or health insurance

1 plan may deduct from income the amount that person paid in
2 premiums in the tax year for that insurance plan for the person's
3 family. **ALSO, BEGINNING WITH THE 2011 TAX YEAR, A PERSON MAY**
4 **DEDUCT FROM INCOME THE AMOUNT THAT THE PERSON PAID AS ADDITIONAL**
5 **TAX ON AN EARLY DISTRIBUTION FROM A TRADITIONAL INDIVIDUAL**
6 **RETIREMENT ACCOUNT, 401(K) PLAN, OR OTHER QUALIFIED RETIREMENT**
7 **PLAN IN THE TAX YEAR.** Income does not include any of the
8 following:

9 (a) The first \$300.00 of gifts in cash or kind from
10 nongovernmental sources.

11 (b) The first \$300.00 received from awards, prizes, lottery,
12 bingo, or other gambling winnings.

13 (c) Surplus foods.

14 (d) Relief in kind supplied by a governmental agency.

15 (e) Payments or credits under this act.

16 (f) A governmental grant that has to be used by the claimant
17 for rehabilitation of the claimant's homestead.

18 (g) Stipends received by a person 60 years of age or older
19 who is acting as a foster grandparent under the foster
20 grandparent program authorized pursuant to section 211 of part B
21 of title II of the domestic volunteer service act of 1973, Public
22 Law 93-113, 42 ~~U.S.C.~~ **USC** 5011, or who is acting as a senior
23 companion pursuant to section 213 of part C of title II of the
24 domestic volunteer service act of 1973, Public Law 93-113, 42
25 ~~U.S.C.~~ **USC** 5013.

26 (h) Amounts deducted from monthly social security or
27 railroad retirement benefits for medicare premiums.

(i) Contributions by an employer to life, accident, or health insurance plans.

(j) Energy assistance grants and energy assistance tax credits.

(K) THE FIRST 50% OF VETERAN'S DISABILITY PAYMENTS.

(2) "Owner" means a natural person who owns or is purchasing a homestead under a mortgage or land contract, who owns or is purchasing a dwelling situated on the leased lands of another, or who is a tenant-stockholder of a cooperative housing corporation.

Sec. 520. (1) Subject to the limitations and the definitions in this chapter, a claimant may claim against the tax due under this act for the tax year a credit for the property taxes on the taxpayer's homestead deductible for federal income tax purposes pursuant to section 164 of the internal revenue code, 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. The property taxes used for the credit computation shall not be greater than the amount levied for 1 tax year.

(2) A person who rents or leases a homestead may claim a similar credit computed under this section and section 522 based upon 17% of the gross rent paid for tax years before the 1994 tax year, or 20% of the gross rent paid for tax years after the 1993 tax year. A person who rents or leases a homestead subject to a service charge in lieu of ad valorem taxes as provided by section 15a of the state housing development authority act of 1966, ~~Act No. 346 of the Public Acts of 1966, being section 125.14~~15a of

1 ~~the Michigan Compiled Laws 1966 PA 346, MCL 125.1415A~~, may claim
2 a similar credit computed under this section and section 522
3 based upon 10% of the gross rent paid.

4 (3) If the credit claimed under this section and section 522
5 exceeds the tax liability for the tax year or if there is no tax
6 liability for the tax year, the amount of the claim not used as
7 an offset against the tax liability shall, after examination and
8 review, be approved for payment, without interest, to the
9 claimant. In determining the amount of the payment under this
10 subsection, withholdings and other credits shall be used first to
11 offset any tax liabilities.

12 (4) If the homestead is an integral part of a multipurpose
13 or multidwelling building that is federally aided housing or
14 state aided housing, a claimant who is a senior citizen entitled
15 to a payment under subsection (2) may assign the right to that
16 payment to a mortgagor if the mortgagor reduces the rent charged
17 and collected on the claimant's homestead in an amount equal to
18 the tax credit payment provided in this chapter. The assignment
19 of the claim is valid only if the Michigan state housing
20 development authority, by affidavit, verifies that the claimant's
21 rent has been so reduced.

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

24 (6) A person who discriminates in the charging or collection
25 of rent on a homestead by increasing the rent charged or
26 collected because the renter or lessee claims and receives a
27 credit or payment under this chapter is guilty of a misdemeanor.

1 Discrimination against a renter who claims and receives the
2 credit under this section and section 522 by a reduction of the
3 rent on the homestead of a person who does not claim and receive
4 the credit is a misdemeanor. If discriminatory rents are charged
5 or collected, each charge or collection of the higher or lower
6 payment is a separate offense. Each acceptance of a payment of
7 rent is a separate offense.

8 (7) A person who received ~~aid to families with dependent~~
9 ~~children, state family assistance, or state disability assistance~~
10 **THROUGH DEPARTMENT OF HUMAN SERVICES PROGRAMS** pursuant to the
11 social welfare act, ~~Act No. 280 of the Public Acts of 1939, as~~
12 ~~amended, being sections 400.1 to 400.119b of the Michigan~~
13 ~~Compiled Laws 1939 PA 280, MCL 400.1 TO 400.119B~~, in the tax year
14 for which the person is filing a return shall have a credit that
15 is authorized and computed under this section and section 522
16 reduced by an amount equal to the product of the claimant's
17 credit multiplied by the quotient of the sum of the claimant's
18 ~~aid to families with dependent children, state family assistance,~~
19 ~~and state disability assistance~~ **THROUGH DEPARTMENT OF HUMAN**
20 **SERVICES PROGRAMS PURSUANT TO THE SOCIAL WELFARE ACT, 1939 PA**
21 **280, MCL 400.1 TO 400.119B**, for the tax year divided by the
22 claimant's household income. The reduction of credit shall not
23 exceed the sum of the ~~aid to families with dependent children,~~
24 ~~state family assistance, and state disability assistance~~ **THROUGH**
25 **DEPARTMENT OF HUMAN SERVICES PROGRAMS PURSUANT TO THE SOCIAL**
26 **WELFARE ACT, 1939 PA 280, MCL 400.1 TO 400.119B**, for the tax
27 year. For the purposes of this subsection, ~~aid to families with~~

1 ~~dependent children~~ **ANY ASSISTANCE THROUGH DEPARTMENT OF HUMAN**
2 **SERVICES PROGRAMS** does not include child support payments that
3 offset or reduce payments made to the claimant.

4 (8) ~~A~~ **FOR TAX YEARS THAT BEGIN BEFORE JANUARY 1, 2011, A**
5 credit under subsection (1) or (2) shall be reduced by 10% for
6 each claimant whose household income exceeds \$73,650.00 and by an
7 additional 10% for each increment of \$1,000.00 of household
8 income in excess of \$73,650.00. **FOR THE 2011 TAX YEAR AND EACH**
9 **TAX YEAR AFTER 2011, A CREDIT UNDER SUBSECTION (1) OR (2) SHALL**
10 **BE REDUCED BY 10% FOR EACH CLAIMANT WHOSE HOUSEHOLD INCOME**
11 **EXCEEDS \$83,650.00 AND BY AN ADDITIONAL 10% FOR EACH INCREMENT OF**
12 **\$1,000.00 OF HOUSEHOLD INCOME IN EXCESS OF \$83,650.00.**

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

21 (10) A senior citizen whose gross rent paid for the tax year
22 is more than the percentage of household income specified in
23 subsection (9) for the respective tax year may claim a credit for
24 the amount of rent paid that constitutes more than the percentage
25 of the household income of the senior citizen specified in
26 subsection (9) and that was not provided to the senior citizen by
27 the credit computed pursuant to this section and section 522 and

adjusted pursuant to subsection (7) or (8).

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

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

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

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

(15) The Michigan state housing development authority shall report on the effect of the credit provided by subsections (9) to ~~(16)~~—(14) on the price of rented and leased homesteads. If the authority determines that the price of rented and leased homesteads has increased as a result of the credit provided by

subsections (9) to ~~(16)~~-(14), the authority shall make recommendations to the legislature to remedy this situation. The report shall be made to the chairpersons of the house and senate committees that have primary responsibility for taxation legislation 2 years after the credit provided by subsections (9) to ~~(16)~~-(14) is in effect.

(16) The total credit allowed by this section and section 522 shall not exceed \$1,200.00 ~~per year~~ **FOR TAX YEARS THAT END BEFORE JANUARY 1, 2011 AND \$1,700.00 FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31, 2010.**

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

(a) A claimant 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 for the tax year, exceeds 3.5% of the claimant's household income for that tax year.

(b) A claimant who is a senior citizen or a paraplegic, hemiplegic, or quadriplegic and for tax years that begin after December 31, 1999, a claimant 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 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

1 follows:

2	Household income	Percentage
3	Not over \$3,000.00 \$9,000.00	.0%
4	Over \$3,000.00 \$9,000.00 but	
5	not over \$4,000.00 \$12,000.00	1.0%
6	Over \$4,000.00 \$12,000.00 but	
7	not over \$5,000.00 \$15,000.00	2.0%
8	Over \$5,000.00 \$15,000.00 but	
9	not over \$6,000.00 \$18,000.00	3.0%
10	Over \$6,000.00 \$18,000.00	3.5%

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

21 (d) A claimant who is an eligible serviceperson, eligible
 22 veteran, or eligible widow or widower is entitled to a credit
 23 against the state income tax liability for a percentage of the
 24 property taxes on the homestead for the tax year not in excess of
 25 100% determined as follows:

26 (i) Divide the taxable value allowance specified in section
 27 506 by the taxable value of the homestead or, if the eligible

1 serviceperson, eligible veteran, or eligible widow or widower
2 leases or rents a homestead, divide 17% of the total annual rent
3 paid for tax years before the 1994 tax year, or 20% of the total
4 annual rent paid for tax years after the 1993 tax year on the
5 property by the property tax rate on the property.

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

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

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

13 (ii) If the taxable value of the homestead is more than
14 \$3,500.00, the percentage that \$3,500.00 bears to the taxable
15 value of the homestead.

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

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

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

25 (5) A senior citizen who has a total household income for
26 the tax year of \$6,000.00 or less and who for 1973 received a
27 senior citizen homestead exemption under former section 7c of the

1 general property tax act, ~~Act No. 206 of the Public Acts of 1893~~
2 **1893 PA 206**, may compute the credit against the state income tax
3 liability for a percentage of the property taxes on the homestead
4 for the tax year determined as follows:

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

7 (b) If the taxable value of the homestead is more than
8 \$2,500.00, the percentage that \$2,500.00 bears to the taxable
9 value of the homestead.

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

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

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

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