



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 752 (Substitute S-1 as reported)
Sponsor: Senator Dave Hildenbrand
Committee: Finance

CONTENT

The bill would amend the Income Tax Act to phase out the homestead property tax credit for taxpayers with total household resources between \$73,650 and \$82,650, rather than between \$41,000 and \$50,000. The bill would be retroactive and effective for tax years beginning on and after January 1, 2013.

The Act allows eligible taxpayers to claim a refundable income tax credit for a portion of the property taxes paid on the homestead they own or rent. The credit is generally equal to 60% of the amount by which property taxes exceed 3.5% of the taxpayer's total household resources, although low-income seniors and disabled individuals are eligible for a larger credit. The total credit allowed for any taxpayer may not exceed \$1,200 per year.

The credit must be reduced by 10% for a taxpayer whose total household resources exceed \$41,000, and by an additional 10% for each increment of \$1,000 of household resources over \$41,000 (making the credit unavailable to taxpayers whose total household resources exceed \$50,000).

The bill, instead, would require the credit to be reduced by 10% for a taxpayer whose total household resources exceeded \$73,650, and by an additional 10% for each increment of \$1,000 of household resources over \$73,650 (making the credit unavailable to taxpayers whose total household resources exceed \$82,650).

("Total household resources" refers to all income received by all members of a household, increased by deductions from Federal gross income for net business, rental, or royalty losses.)

MCL 206.520

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce State General Fund revenue by approximately \$110.3 million in FY 2013-14. Taxpayers who have already filed their tax year 2013 returns would need to file amended returns in order to receive a credit (or a larger credit) under the provisions of the bill. Under the bill, taxpayers with household resources between \$41,000 and \$50,000 would receive larger credits, while taxpayers with incomes between \$50,000 and \$82,650 would become eligible for credits. In later fiscal years, the revenue loss under the bill would depend on the growth rate of taxpayers' household resources relative to the growth of their property taxes.

Date Completed: 2-14-14

Fiscal Analyst: David Zin