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

BILL ANALYSIS

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

Senate Bill 752 (as introduced 2-4-14)
Sponsor: Senator Dave Hildenbrand
Committee: Finance

Date Completed: 2-11-14

CONTENT

The bill would amend the Income Tax Act to phase out the homestead property tax credit in increments of 5% for taxpayers with total household resources in excess of $51,000, instead of increments of 10% for taxpayers with total household resources in excess of $41,000 (in effect raising the household resources ceiling from $50,000 to $70,000, and increasing the amount of the credit for taxpayers with household resources over $41,000). 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 5% for a taxpayer whose total household resources exceeded $51,000, and by an additional 5% for each increment of $1,000 of household resources over $51,000 (making the credit unavailable to taxpayers whose total household resources exceed $70,000).

("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 $69.0 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. 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.

Fiscal Analyst: David Zin

S1314\s752sa