



HOUSE BILL No. 4485

February 28, 1995, Introduced by Rep. Whyman and referred to the Committee on Tax Policy.

A bill to amend sections 520 and 522 of Act No. 281 of the Public Acts of 1967, entitled
"Income tax act of 1967,"
as amended by Act No. 328 of the Public Acts of 1993, being sections 206.520 and 206.522 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 520 and 522 of Act No. 281 of the
2 Public Acts of 1967, as amended by Act No. 328 of the Public Acts
3 of 1993, being sections 206.520 and 206.522 of the Michigan
4 Compiled Laws, are amended to read as follows:

5 Sec. 520. (1) Subject to the limitations and the defini-
6 tions set out in this chapter, a claimant may claim against the
7 tax due pursuant to this act for the tax year a credit for the
8 property taxes on the taxpayer's homestead deductible for federal
9 income tax purposes pursuant to section 164 of the internal

1 revenue code, or that would have been deductible if the claimant
2 had not elected the zero bracket amount or if the claimant had
3 been subject to the federal income tax. The property taxes used
4 for the credit computation shall not be greater than the amount
5 levied for 1 tax year.

6 (2) A person who rents or leases a homestead may claim a
7 similar credit computed pursuant to this section and section 522
8 based upon 17% of the gross rent paid for tax years before the
9 1994 tax year, or 20% of the gross rent paid for tax years after
10 the 1993 tax year. A person who rents or leases a homestead
11 subject to a service charge in lieu of ad valorem taxes as pro-
12 vided by section 15a of the state housing development authority
13 act of 1966, Act No. 346 of the Public Acts of 1966, as amended,
14 being section 125.1415a of the Michigan Compiled Laws, may claim
15 a similar credit computed pursuant to this section and
16 section 522 based upon 10% of the gross rent paid.

17 (3) If the credit claimed pursuant to this section and
18 section 522 exceeds the tax liability for the tax year or if
19 there is no tax liability for the tax year, the amount of the
20 claim not used as an offset against the tax liability shall,
21 after examination and review, be approved for payment, without
22 interest, to the claimant. A payment approved pursuant to this
23 subsection to a claimant eligible for a credit under
24 subsection (1) shall be made in a check or warrant exclusive of
25 refunds due for withholdings or other credits allowed by this
26 act. In determining the amount of this check or warrant,

1 withholdings and other credits shall be used first to offset any
2 tax liabilities.

3 (4) If the homestead is an integral part of a multipurpose
4 or multidwelling building that is federally aided housing or
5 state aided housing, a claimant who is a senior citizen entitled
6 to a payment under subsection (2) may assign the right to that
7 payment to a mortgagor if the mortgagor reduces the rent charged
8 and collected on the claimant's homestead in an amount equal to
9 the tax credit payment provided in this chapter. The assignment
10 of the claim is valid only if the Michigan state housing develop-
11 ment authority, by affidavit, verifies that the claimant's rent
12 has been so reduced.

13 (5) Only the renter or lessee shall claim a credit on prop-
14 erty that is rented or leased as a homestead.

15 (6) A person who discriminates in the charging or collection
16 of rent on a homestead by increasing the rent charged or col-
17 lected because the renter or lessee claims and receives a credit
18 or payment under this chapter is guilty of a misdemeanor.
19 Discrimination against a renter who claims and receives the
20 credit under this section and section 522 by a reduction of the
21 rent on the homestead of a person who does not claim and receive
22 the credit is a misdemeanor. If discriminatory rents are charged
23 or collected, each charge or collection of the higher or lower
24 payment is a separate offense. Each acceptance of a payment of
25 rent is a separate offense.

26 (7) A person who received aid to families with dependent
27 children, state family assistance, or state disability assistance

1 pursuant to the social welfare act, Act No. 280 of the Public
2 Acts of 1939, as amended, being sections 400.1 to 400.119b of the
3 Michigan Compiled Laws, in the tax year for which the person is
4 filing a return shall have a credit that is authorized and com-
5 puted pursuant to this section and section 522 reduced by an
6 amount equal to the product of the claimant's credit multiplied
7 by the quotient of the sum of the claimant's aid to families with
8 dependent children, state family assistance, and state disability
9 assistance for the tax year divided by the claimant's household
10 income. The reduction of credit shall not exceed the sum of the
11 aid to families with dependent children, state family assistance,
12 and state disability assistance for the tax year. For the pur-
13 poses of this subsection, aid to families with dependent children
14 does not include child support payments that offset or reduce
15 payments made to the claimant. This subsection applies only to
16 the 1980 through the 1994 tax years.

17 (8) A credit under subsection (1) or (2) shall be reduced by
18 10% for each claimant whose household income exceeds \$73,650.00
19 and by an additional 10% for each increment of \$1,000.00 of
20 household income in excess of \$73,650.00.

21 (9) If the credit authorized and calculated pursuant to this
22 section and section 522 and adjusted pursuant to subsection (7)
23 or (8) does not provide to a senior citizen who rents or leases a
24 homestead that amount attributable to rent that constitutes more
25 than the following percentage of the household income of the
26 senior citizen, the senior citizen may claim a credit based upon

1 the amount of household income attributable to rent as provided
2 by this section, subject to the following limitations:

3 (a) 50% for a credit claimed for the 1982 tax year.

4 (b) 45% for a credit claimed for the 1983 tax year.

5 (c) 40% for a credit claimed for the 1984 tax year or a tax
6 year after the 1984 tax year.

7 (10) A senior citizen whose gross rent paid for the tax year
8 is more than the percentage of household income specified in sub-
9 section (9) for the respective tax year may claim a credit for
10 the amount of rent paid that constitutes more than the percentage
11 of the household income of the senior citizen specified in sub-
12 section (9) for the respective tax year and that was not provided
13 to the senior citizen by the credit computed pursuant to this
14 section and section 522 and adjusted pursuant to subsection (7)
15 or (8).

16 (11) The department may promulgate rules to implement sub-
17 sections (9) to (16) and may prescribe a table to allow a claim-
18 ant to determine the credit provided under this section and sec-
19 tion 522 in the instruction booklet that accompanies the respec-
20 tive income tax or property tax credit forms used by claimants.

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

25 (13) A senior citizen who moves to a different rented or
26 leased homestead shall determine, for 2 tax years after the move,
27 both his or her qualification to claim a credit under subsections

1 (9) to (16) and the amount of a credit under subsections (9) to
2 (16) on the basis of the annualized final monthly rental payment
3 at his or her previous homestead, if this annualized rental is
4 less than the senior citizen's actual annual rental payments.

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

8 (15) The Michigan state housing development authority shall
9 report on the effect of the credit provided by subsections (9) to
10 (16) on the price of rented and leased homesteads. If the
11 authority determines that the price of rented and leased home-
12 steads has increased as a result of the credit provided by sub-
13 sections (9) to (16), the authority shall make recommendations to
14 the legislature to remedy this situation. The report shall be
15 made to the chairpersons of the house and senate committees that
16 have primary responsibility for taxation legislation 2 years
17 after the credit provided by subsections (9) to (16) is in
18 effect.

19 (16) ~~The~~ FOR TAX YEARS BEFORE THE 1995 TAX YEAR, THE total
20 credit allowed by this section and section 522 shall not exceed
21 \$1,200.00 per year. FOR TAX YEARS AFTER THE 1994 TAX YEAR, THE
22 TOTAL CREDIT ALLOWED BY THIS SECTION AND SECTION 522 SHALL NOT
23 EXCEED \$1,500.00 PER YEAR.

24 (17) Subsection (8) does not apply for any tax year to which
25 subsection (7) does not apply.

26 Sec. 522. (1) The amount of a claim made pursuant to this
27 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 taxable year, exceeds 3.5% of the claimant's household income for that taxable year.

(b) A claimant who is a senior citizen or a paraplegic or quadriplegic 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, Act No. 346 of the Public Acts of 1966, as amended, being section 125.1415a of the Michigan Compiled Laws, for the taxable year exceeds the percentage of the claimant's household income for that taxable year computed as follows:

Household income	Percentage
Not over \$3,000.00	.0%
Over \$3,000.00 but not over \$4,000.00	1.0%
Over \$4,000.00 but not over \$5,000.00	2.0%
Over \$5,000.00 but not over \$6,000.00	3.0%
Over \$6,000.00	3.5%

(c) A claimant who is totally and permanently disabled 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 or for a service charge in lieu of ad valorem taxes as provided in section 15a of

1 the state housing development authority act of 1966, Act No. 346
2 of the Public Acts of 1966, for the taxable year, exceeds the
3 percentage of the claimant's household income for that taxable
4 year based on the schedule in subdivision (b).

5 (d) A claimant who is an eligible serviceperson, eligible
6 veteran, or eligible widow or widower is entitled to a credit
7 against the state income tax liability for a percentage of the
8 property taxes on the homestead for the taxable year not in
9 excess of 100% determined as follows:

10 (i) Divide the state equalized value allowance specified in
11 section 506 by the state equalized ~~value~~ VALUATION of the home-
12 stead or, if the eligible serviceperson, eligible veteran, or
13 eligible widow or widower leases or rents a homestead, divide 17%
14 of the total annual rent paid for tax years before the 1994 tax
15 year, or 20% of the total annual rent paid for tax years after
16 the 1993 tax year on the property by the property tax rate on the
17 property.

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

20 (e) A claimant who is blind is entitled to a credit against
21 the state income tax liability for a percentage of the property
22 taxes on the homestead for the taxable year determined as
23 follows:

24 (i) If the state equalized ~~value~~ VALUATION of the home-
25 stead is \$3,500.00 or less, 100% of the property taxes.

(ii) If the state equalized ~~value~~ VALUATION of the homestead is more than \$3,500.00, the percentage that \$3,500.00 bears to the state equalized ~~value~~ VALUATION of the homestead.

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

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

(4) As used in this section, "totally and permanently disabled" means disability as defined in section 216 of title II of the social security act, chapter 531, 49 Stat. 620, 42 U.S.C. 416.

(5) A senior citizen who has a total household income for the taxable year of \$6,000.00 or less and who for 1973 received a senior citizen homestead exemption under former section 7c of the general property tax act, Act No. 206 of the Public Acts of 1893, may compute the credit against the state income tax liability for a percentage of the property taxes on the homestead for the taxable year determined as follows:

(a) If the state equalized ~~value~~ VALUATION of the homestead is \$2,500.00 or less, 100% of the property taxes.

(b) If the state equalized ~~value~~ VALUATION of the homestead is more than \$2,500.00, the percentage that \$2,500.00 bears to the state equalized ~~value~~ VALUATION of the homestead.

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

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

3 (8) The total credit allowed ~~in~~ BY this section ~~for each~~
4 ~~year after December 31, 1975~~ shall not exceed ~~\$1,200.00 per~~
5 ~~year~~ THE MAXIMUM AMOUNT ALLOWABLE UNDER SECTION 520(16).

6 (9) The total credit allowable under this act and the farm-
7 land and open space preservation act, Act No. 116 of the Public
8 Acts of 1974, as amended, being sections 554.701 to 554.719 of
9 the Michigan Compiled Laws, shall not exceed the total property
10 tax due and payable by the claimant in that year. The amount by
11 which the credit exceeds the property tax due and payable shall
12 be deducted from the credit claimed under the farmland and open
13 space preservation act, Act No. 116 of the Public Acts of 1974,
14 as amended.