

# HOUSE BILL No. 4125

January 28, 1997, Introduced by Rep. Whyman and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled "Income tax act of 1967," by amending sections 520 and 522 (MCL 206.520 and 206.522), section 520 as amended by 1995 PA 245 and section 522 as amended by 1996 PA 55.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 520. (1) Subject to the limitations and the defini-  
2 tions in this chapter, a claimant may claim against the tax due  
3 under this act for the tax year a credit for the property taxes  
4 on the taxpayer's homestead deductible for federal income tax  
5 purposes pursuant to section 164 of the internal revenue code, or  
6 that would have been deductible if the claimant had not elected  
7 the zero bracket amount or if the claimant had been subject to  
8 the federal income tax. The property taxes used for the credit

1 computation shall not be greater than the amount levied for 1 tax  
2 year.

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

14 (3) If the credit claimed under this section and section 522  
15 exceeds the tax liability for the tax year or if there is no tax  
16 liability for the tax year, the amount of the claim not used as  
17 an offset against the tax liability shall, after examination and  
18 review, be approved for payment, without interest, to the  
19 claimant. In determining the amount of the payment under this  
20 subsection, withholdings and other credits shall be used first to  
21 offset any tax liabilities.

22 (4) If the homestead is an integral part of a multipurpose  
23 or multidwelling building that is federally aided housing or  
24 state aided housing, a claimant who is a senior citizen entitled  
25 to a payment under subsection (2) may assign the right to that  
26 payment to a mortgagor if the mortgagor reduces the rent charged  
27 and collected on the claimant's homestead in an amount equal to

1 the tax credit payment provided in this chapter. The assignment  
2 of the claim is valid only if the Michigan state housing develop-  
3 ment authority, by affidavit, verifies that the claimant's rent  
4 has been so reduced.

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

7 (6) A person who discriminates in the charging or collection  
8 of rent on a homestead by increasing the rent charged or col-  
9 lected because the renter or lessee claims and receives a credit  
10 or payment under this chapter is guilty of a misdemeanor.

11 Discrimination against a renter who claims and receives the  
12 credit under this section and section 522 by a reduction of the  
13 rent on the homestead of a person who does not claim and receive  
14 the credit is a misdemeanor. If discriminatory rents are charged  
15 or collected, each charge or collection of the higher or lower  
16 payment is a separate offense. Each acceptance of a payment of  
17 rent is a separate offense.

18 (7) A person who received aid to families with dependent  
19 children, state family assistance, or state disability assistance  
20 pursuant to the social welfare act, ~~Act No. 280 of the Public~~  
21 ~~Acts of 1939, as amended, being sections 400.1 to 400.119b of the~~  
22 ~~Michigan Compiled Laws~~ 1939 PA 280, MCL 400.1 TO 400.119B, in  
23 the tax year for which the person is filing a return shall have a  
24 credit that is authorized and computed under this section and  
25 section 522 reduced by an amount equal to the product of the  
26 claimant's credit multiplied by the quotient of the sum of the  
27 claimant's aid to families with dependent children, state family

1 assistance, and state disability assistance for the tax year  
2 divided by the claimant's household income. The reduction of  
3 credit shall not exceed the sum of the aid to families with  
4 dependent children, state family assistance, and state disability  
5 assistance for the tax year. For the purposes of this subsec-  
6 tion, aid to families with dependent children does not include  
7 child support payments that offset or reduce payments made to the  
8 claimant.

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

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

20 (10) A senior citizen whose gross rent paid for the tax year  
21 is more than the percentage of household income specified in sub-  
22 section (9) for the respective tax year may claim a credit for  
23 the amount of rent paid that constitutes more than the percentage  
24 of the household income of the senior citizen specified in sub-  
25 section (9) and that was not provided to the senior citizen by  
26 the credit computed pursuant to this section and section 522 and  
27 adjusted pursuant to subsection (7) or (8).

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

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

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

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

21 (15) The Michigan state housing development authority shall  
22 report on the effect of the credit provided by subsections (9) to  
23 (16) on the price of rented and leased homesteads. If the  
24 authority determines that the price of rented and leased home-  
25 steads has increased as a result of the credit provided by sub-  
26 sections (9) to (16), the authority shall make recommendations to  
27 the legislature to remedy this situation. The report shall be

1 made to the chairpersons of the house and senate committees that  
2 have primary responsibility for taxation legislation 2 years  
3 after the credit provided by subsections (9) to (16) is in  
4 effect.

5 (16) ~~The~~ FOR TAX YEARS BEFORE THE 1997 TAX YEAR, THE total  
6 credit allowed by this section and section 522 shall not exceed  
7 \$1,200.00 per year. FOR TAX YEARS AFTER THE 1996 TAX YEAR, THE  
8 TOTAL CREDIT ALLOWED BY THIS SECTION AND SECTION 522 SHALL NOT  
9 EXCEED \$1,500.00 PER YEAR.

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

12 (a) A claimant is entitled to a credit against the state  
13 income tax liability equal to 60% of the amount by which the  
14 property taxes on the homestead, or the credit for rental of the  
15 homestead for the taxable year, exceeds 3.5% of the claimant's  
16 household income for that taxable year.

17 (b) A claimant who is a senior citizen or a paraplegic,  
18 HEMIPLEGIC, or quadriplegic is entitled to a credit against the  
19 state income tax liability for the amount by which the property  
20 taxes on the homestead, the credit for rental of the homestead,  
21 or a service charge in lieu of ad valorem taxes as provided by  
22 section 15a of the state housing development authority act of  
23 1966, ~~Act No. 346 of the Public Acts of 1966, being section~~  
24 ~~125.1415a of the Michigan Compiled Laws~~ 1966 PA 346, MCL  
25 125.1415A, for the taxable year exceeds the percentage of the  
26 claimant's household income for that taxable year computed as  
27 follows:

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	Percentage
1	
2 Household income	
3 Not over \$3,000.00	.0%
4 Over \$3,000.00 but not over \$4,000.00	1.0%
5 Over \$4,000.00 but not over \$5,000.00	2.0%
6 Over \$5,000.00 but not over \$6,000.00	3.0%
7 Over \$6,000.00	3.5%

8 (c) A claimant who is totally and permanently disabled is  
9 entitled to a credit against the state income tax liability equal  
10 to 60% of the amount by which the property taxes on the home-  
11 stead, or the credit for rental of the homestead or for a service  
12 charge in lieu of ad valorem taxes as provided in section 15a of  
13 ~~Act No. 346 of the Public Acts of 1966~~ THE STATE HOUSING  
14 AUTHORITY ACT OF 1966, 1966 PA 346, MCL 125.1415A, for the tax-  
15 able year, exceeds the percentage of the claimant's household  
16 income for that taxable year based on the schedule in subdivision  
17 (b).

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

23 (i) Divide the state equalized value allowance specified in  
24 section 506 by the state equalized value of the homestead or, if  
25 the eligible serviceperson, eligible veteran, or eligible widow  
26 or widower leases or rents a homestead, divide 17% of the total  
27 annual rent paid for tax years before the 1994 tax year, or 20%

1 of the total annual rent paid for tax years after the 1993 tax  
2 year on the property by the property tax rate on the property.

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

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

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

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

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

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

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

23 (5) A senior citizen who has a total household income for  
24 the taxable year of \$6,000.00 or less and who for 1973 received a  
25 senior citizen homestead exemption under former section 7c of the  
26 general property tax act, ~~Act No. 206 of the Public Acts of~~  
27 ~~1893~~ 1893 PA 206, MCL 211.7C, may compute the credit against the

1 state income tax liability for a percentage of the property taxes  
2 on the homestead for the taxable year determined as follows:

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

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

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

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

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

15 (9) The total credit allowable under this act and part 361  
16 (farmland and open space preservation) of the natural resources  
17 and environmental protection act, ~~Act No. 451 of the Public Acts~~  
18 ~~of 1994, being sections 324.36101 to 324.36117 of the Michigan~~  
19 ~~Compiled Laws~~ 1994 PA 451, MCL 324.36101 TO 324.36117, shall not  
20 exceed the total property tax due and payable by the claimant in  
21 that year. The amount by which the credit exceeds the property  
22 tax due and payable shall be deducted from the credit claimed  
23 under part 361 of ~~Act No. 451 of the Public Acts of 1994~~  
24 (FARMLAND AND OPEN SPACE PRESERVATION) OF THE NATURAL RESOURCES  
25 AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL 324.36101 TO  
26 324.36117.