

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

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4032 (Substitute H-2 as passed by the House)
Sponsor: Representative Alan Sanborn
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 3-13-00

CONTENT

The bill would amend the Income Tax Act to increase the homestead property tax credit that a senior citizen may claim; and provide that the maximum allowable homestead property tax credit (currently \$1,200) would have to be adjusted each year to reflect the annual average increase in the consumer price index. The bill has an effective date of January 1, 1999.

Under the Act, a taxpayer may claim a homestead property tax credit against the State income tax equal to 60% of the amount by which the taxpayer's homestead property tax, or the credit for rental of the homestead, exceeds 3.5% of the taxpayer's household income. A taxpayer who is a senior citizen (65 years old or older), paraplegic, hemiplegic, or quadriplegic with household income over \$6,000 is entitled to a credit equal to 100% of the amount by which his or her homestead property tax or rental credit exceeds 3.5% of household income. The bill would allow a senior citizen with household income over \$5,000 to claim a credit equal to 100% of the amount by which property tax or rental credit exceeded 3% of household income.

Currently, a taxpayer who is a senior citizen, paraplegic, hemiplegic, or quadriplegic, with household income of \$6,000 or less, is entitled to a credit equal to the amount by which the homestead property tax or rental credit exceeds between .0% and 3.0% of household income; the credit increases as household income decreases. The bill would not alter the calculation of this credit, except as noted above for senior citizens.

MCL 206.520 & 206.522

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would increase the homestead property tax credit, and therefore reduce net income tax revenue, by an estimated \$46.2 million in FY 1999-2000, and \$49.3 million in FY 2000-01. Almost all of this loss in revenue would affect General Fund/General Purpose revenue.

Fiscal Analyst: J. Wortley

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