



**House
Legislative
Analysis
Section**

House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

**HOMESTEAD CREDIT: COUNT
CERTAIN SPECIAL ASSESSMENTS**

**House Bill 6069 (Substitute H-2)
First Analysis (11-13-02)**

**Sponsor: Rep. Brian Palmer
Committee: Tax Policy**

THE APPARENT PROBLEM:

The Income Tax Act allows a taxpayer to claim a credit for the amount of property taxes paid that exceed a specified percentage of his or her household income. This is known as the homestead property tax credit or the circuit breaker. Generally speaking, a credit is available equal to 60 percent of the amount by which property taxes exceed 3.5 percent of household income. Larger credits are available for certain categories of taxpayer, such as senior citizens, deaf, blind, and disabled taxpayers and veterans, among others. In calculating the credit, a taxpayer can apply not only property taxes that have been paid but also special assessments paid if they were levied across the entire city, village, or township and were based on property value. A problem has arisen with this treatment of special assessments. As explained by a representative of the Michigan Townships Association, a resident of a village is also a resident of a township. Some townships when creating special assessment districts to pay for public safety programs, such as police, fire, and emergency services, levy the assessment on all property in the township except property in a village. This would occur where the village already provides its residents the public safety services. This prevents double taxation of village residents. It also has the effect, however, of denying township taxpayers the ability of using the special assessments in calculating a circuit breaker credit because the assessments are not levied across the entire township. Legislation has been introduced to address this.

THE CONTENT OF THE BILL:

The bill would amend the Income Tax Act so that special assessments levied for police, fire, and advanced life support could be counted in the amount of property taxes and special assessments paid when calculating the homestead property tax credit. Otherwise special assessments could only be used if assessed in the entire city, village, or township and based on state equalized valuation or taxable value.

MCL 206.512

FISCAL IMPLICATIONS:

The House Fiscal Agency reports, based on information from the Department of Treasury, that the bill would increase the homestead property tax credit and thus decrease income tax revenues by about \$1.25 million each year. (HFA floor analysis dated 11-13-02)

ARGUMENTS:

For:

Township residents ought to be able to use special assessments levied for public safety purposes when calculating the homestead property tax credit. To deny these assessments because they are not levied across the whole township results in denying deserving taxpayers, including elderly, disabled, and low income homeowners and renters, the full amount of their income tax credit (or could deny them eligibility for a credit at all). As explained earlier, sometimes the assessments are not levied across the entire township for good reasons when a village and township overlap, and township taxpayers should not be penalized for this.

POSITIONS:

The Michigan Townships Association supports the bill. (11-12-02)

Local officials from Bruce Township have indicated support for the bill. (11-2-02)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

House Bill 6069 (11-13-02)