

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 6069 (Substitute H-2 as reported without amendment)
Sponsor: Representative Brian Palmer
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Income Tax Act to allow a taxpayer to use certain special assessments paid by the taxpayer in calculating his or her homestead property tax credit.

Under the Act, if a taxpayer qualifies, he or she may claim a credit for the amount of property taxes paid on a homestead that exceed a certain percentage of the taxpayer's household income. In general, this homestead property tax credit is equal to 60% of the amount by which the taxpayer's property taxes exceed 3.5% of household income. The property taxes included in the calculation are those paid by the taxpayer on a homestead in the State (including a property tax administration fee), but do not include penalties, interest, or special assessments unless assessed in the entire city, village, or township based on State equalized valuation (SEV) or taxable value.

The bill would allow a taxpayer to include as property taxes special assessments levied for police, fire, and advanced life support, regardless of whether the special assessments were levied in the entire city, village, or township, based on SEV or taxable value. Other special assessments would remain subject to the current restrictions regarding the homestead property tax credit calculation.

MCL 206.512

Legislative Analyst: George Towne

FISCAL IMPACT

Based on information from the Department of Treasury, this bill would increase property tax credits, and therefore reduce income tax revenue, by an estimated \$1.3 million a year. This loss in income tax revenue would have an impact on the State's General Fund/General Purpose budget. The bill would not have any direct fiscal impact on local governments.

Date Completed: 12-4-02

Fiscal Analyst: Jay Wortley