

SENATE BILL No. 1420

September 18, 2002, Introduced by Senator EMMONS and referred to the Committee on Finance.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending sections 514 and 520 (MCL 206.514 and 206.520), section 514 as amended by 1987 PA 254 and section 520 as amended by 1995 PA 245.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 514. (1) "Senior citizen" means an individual, or
2 either 1 of 2 persons filing a joint tax return under this act,
3 who is 65 years of age or older at the close of the tax year.
4 The term also includes the unremarried surviving spouse of a
5 person who was ~~65~~ 67 years of age or older at the time of
6 death.

7 (2) "Serviceperson" means a person who is currently serving
8 in the armed forces of the United States or is separated from the
9 armed forces for less than a year, and who was a resident of this

1 state at least 6 months prior to the time of entering the armed
2 forces or was a resident of this state at least 5 years prior to
3 filing a claim under this chapter.

4 (3) "State income tax" or "state income tax act" means the
5 tax levied by this act.

6 Sec. 520. (1) Subject to the limitations and the defini-
7 tions in this chapter, a claimant may claim against the tax due
8 under this act for the tax year a credit for the property taxes
9 on the taxpayer's homestead deductible for federal income tax
10 purposes pursuant to section 164 of the internal revenue code, or
11 that would have been deductible if the claimant had not elected
12 the zero bracket amount or if the claimant had been subject to
13 the federal income tax. The property taxes used for the credit
14 computation shall not be greater than the amount levied for 1 tax
15 year.

16 (2) A person who rents or leases a homestead may claim a
17 similar credit computed under this section and section 522 based
18 upon 17% of the gross rent paid for tax years before the 1994 tax
19 year, or 20% of the gross rent paid for tax years after the 1993
20 tax year. A person who rents or leases a homestead subject to a
21 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~~
24 ~~section 125.1415a of the Michigan Compiled Laws~~ 1966 PA 346, MCL
25 125.1415A, may claim a similar credit computed under this section
26 and section 522 based upon 10% of the gross rent paid.

1 (3) If the credit claimed under this section and section 522
2 exceeds the tax liability for the tax year or if there is no tax
3 liability for the tax year, the amount of the claim not used as
4 an offset against the tax liability shall, after examination and
5 review, be approved for payment, without interest, to the
6 claimant. In determining the amount of the payment under this
7 subsection, withholdings and other credits shall be used first to
8 offset any tax liabilities.

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

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

21 (6) A person who discriminates in the charging or collection
22 of rent on a homestead by increasing the rent charged or col-
23 lected because the renter or lessee claims and receives a credit
24 or payment under this chapter is guilty of a misdemeanor.
25 Discrimination against a renter who claims and receives the
26 credit under this section and section 522 by a reduction of the
27 rent on the homestead of a person who does not claim and receive

1 the credit is a misdemeanor. If discriminatory rents are charged
2 or collected, each charge or collection of the higher or lower
3 payment is a separate offense. Each acceptance of a payment of
4 rent is a separate offense.

5 (7) A person who received ~~aid to families with dependent~~
6 ~~children,~~ state family INDEPENDENCE assistance, ~~or~~ state dis-
7 ability assistance, OR OTHER ASSISTANCE THROUGH FAMILY INDEPEN-
8 DENCE PROGRAMS pursuant to the social welfare act, ~~Act No. 280~~
9 ~~of the Public Acts of 1939, as amended, being sections 400.1 to~~
10 ~~400.119b of the Michigan Compiled Laws~~ 1939 PA 280, MCL 400.1 TO
11 400.119B, in the tax year for which the person is filing a return
12 shall have a credit that is authorized and computed under this
13 section and section 522 reduced by an amount equal to the product
14 of the claimant's credit multiplied by the quotient of the sum of
15 the claimant's ~~aid to families with dependent children,~~ state
16 family INDEPENDENCE assistance, ~~and~~ state disability
17 assistance, OR OTHER ASSISTANCE THROUGH FAMILY INDEPENDENCE PRO-
18 GRAMS PURSUANT TO THE SOCIAL WELFARE ACT, 1939 PA 280, MCL 400.1
19 TO 400.119B, for the tax year divided by the claimant's household
20 income. The reduction of credit shall not exceed the sum of the
21 ~~aid to families with dependent children,~~ state family
22 INDEPENDENCE assistance, ~~and~~ state disability assistance, AND
23 OTHER ASSISTANCE THROUGH FAMILY INDEPENDENCE PROGRAMS PURSUANT TO
24 THE SOCIAL WELFARE ACT, 1939 PA 280, MCL 400.1 TO 400.119B, for
25 the tax year. For the purposes of this subsection, ~~aid to fami-~~
26 ~~lies with dependent children~~ ANY ASSISTANCE THROUGH FAMILY

1 INDEPENDENCE PROGRAMS does not include child support payments
2 that offset or reduce payments made to the claimant.

3 (8) A credit under subsection (1) or (2) shall be reduced by
4 10% for each claimant whose household income exceeds \$73,650.00
5 and by an additional 10% for each increment of \$1,000.00 of
6 household income in excess of ~~\$73,650.00~~ \$80,000.00.

7 (9) If the credit authorized and calculated under this sec-
8 tion and section 522 and adjusted under subsection (7) or (8)
9 does not provide to a senior citizen who rents or leases a home-
10 stead that amount attributable to rent that constitutes more than
11 40% of the household income of the senior citizen, the senior
12 citizen may claim a credit based upon the amount of household
13 income attributable to rent as provided by this section.

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

22 (11) The department may promulgate rules to implement sub-
23 sections (9) to ~~(16)~~ (14) and may prescribe a table to allow a
24 claimant to determine the credit provided under this section and
25 section 522 in the instruction booklet that accompanies the
26 respective income tax or property tax credit forms used by
27 claimants.

1 (12) A senior citizen may claim the credit under subsections
2 (9) to ~~-(16)-~~ (14) on the same form as the property tax credit
3 permitted by subsection (2). The department shall adjust the
4 forms accordingly.

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

13 (14) For a return of less than 12 months, the claim for a
14 credit under subsections (9) to ~~-(16)-~~ (14) shall be reduced
15 proportionately.

16 (15) The Michigan state housing development authority shall
17 report on the effect of the credit provided by subsections (9) to
18 ~~-(16)-~~ (14) on the price of rented and leased homesteads. If the
19 authority determines that the price of rented and leased home-
20 steads has increased as a result of the credit provided by sub-
21 sections (9) to ~~-(16)-~~ (14), the authority shall make recommenda-
22 tions to the legislature to remedy this situation. The report
23 shall be made to the chairpersons of the house and senate commit-
24 tees that have primary responsibility for taxation legislation 2
25 years after the credit provided by subsections (9) to ~~-(16)-~~ (14)
26 is in effect.

1 (16) The total credit allowed by this section and section
2 522 shall not exceed \$1,200.00 per year.

3 Enacting section 1. This amendatory act takes effect for
4 tax years that begin after December 31, 2002.