

SUBSTITUTE FOR
SENATE BILL NO. 791

(As amended, March 27, 2008)

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 2000 PA 41, and by adding section 254.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 254. (1) A TAXPAYER THAT PURCHASES A PARCEL OF PROPERTY
2 AFTER APRIL 1, 2008 AND BEFORE JANUARY 1, 2011 THAT RESULTS IN A
3 TRANSFER OF OWNERSHIP OF THAT PROPERTY AND, AS A RESULT, THE
4 TAXABLE VALUE OF THAT PROPERTY IS ADJUSTED UNDER SECTION 27A(3)
5 OF THE GENERAL PROPERTY TAX ACT, 1893 PA 206, MCL 211.27A, MAY
6 CLAIM A CREDIT AGAINST THE TAX IMPOSED UNDER THIS ACT FOR EACH
7 TAX YEAR THAT THE TAXPAYER OWNS THE PROPERTY <<AND CLAIMS AN EXEMPTION
8 FOR THAT PROPERTY UNDER SECTION 7CC OF THE GENERAL PROPERTY TAX ACT, 1893
 PA 206, MCL 211.7CC, AS A PRINCIPAL RESIDENCE>> FOLLOWING THE YEAR
 OF THE TRANSFER EQUAL TO THE DIFFERENCE BETWEEN THE TAXES

1 CALCULATED ON THAT PARCEL OF PROPERTY USING THE TAXABLE VALUE
2 AFTER THE ADJUSTMENT UNDER SECTION 27A(3) AND THE TAXES
3 CALCULATED ON THAT PARCEL OF PROPERTY USING THE TAXABLE VALUE
4 BEFORE THE ADJUSTMENT UNDER SECTION 27A(3).

5 (2) IF THE CREDIT ALLOWED UNDER THIS SECTION EXCEEDS THE TAX
6 LIABILITY OF THE TAXPAYER FOR THE TAX YEAR, THAT PORTION OF THE
7 CREDIT THAT EXCEEDS THE TAX LIABILITY SHALL BE REFUNDED.

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

18 (2) A person who rents or leases a homestead may claim a
19 similar credit computed under this section and section 522 based
20 upon 17% of the gross rent paid for tax years before the 1994 tax
21 year, or 20% of the gross rent paid for tax years after the 1993
22 tax year. A person who rents or leases a homestead subject to a
23 service charge in lieu of ad valorem taxes as provided by section
24 15a of the state housing development authority act of 1966, ~~Act~~
25 ~~No. 346 of the Public Acts of 1966, being section 125.1415a of~~
26 ~~the Michigan Compiled Laws 1966 PA 346, MCL 125.1415A,~~ may claim
27 a similar credit computed under this section and section 522

1 based upon 10% of the gross rent paid.

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

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

20 (5) Only the renter or lessee shall claim a credit on
21 property that is rented or leased as a homestead.

22 (6) A person who discriminates in the charging or collection
23 of rent on a homestead by increasing the rent charged or
24 collected because the renter or lessee claims and receives a
25 credit or payment under this chapter is guilty of a misdemeanor.
26 Discrimination against a renter who claims and receives the
27 credit under this section and section 522 by a reduction of the

1 rent on the homestead of a person who does not claim and receive
2 the credit is a misdemeanor. If discriminatory rents are charged
3 or collected, each charge or collection of the higher or lower
4 payment is a separate offense. Each acceptance of a payment of
5 rent is a separate offense.

6 (7) A person who received ~~aid to families with dependent~~
7 ~~children, state family assistance, or state disability assistance~~
8 **THROUGH DEPARTMENT OF HUMAN SERVICES PROGRAMS** pursuant to the
9 social welfare act, ~~Act No. 280 of the Public Acts of 1939, as~~

10 ~~amended, being sections 400.1 to 400.119b of the Michigan~~
11 ~~Compiled Laws 1939 PA 280, MCL 400.1 TO 400.119B,~~ in the tax year
12 for which the person is filing a return shall have a credit that
13 is authorized and computed under this section and section 522

14 reduced by an amount equal to the product of the claimant's
15 credit multiplied by the quotient of the sum of the claimant's
16 ~~aid to families with dependent children, state family assistance,~~
17 ~~and state disability assistance~~ **THROUGH DEPARTMENT OF HUMAN**

18 **SERVICES PROGRAMS PURSUANT TO THE SOCIAL WELFARE ACT, 1939 PA**
19 **280, MCL 400.1 TO 400.119B,** for the tax year divided by the

20 claimant's household income. The reduction of credit shall not
21 exceed the sum of the ~~aid to families with dependent children,~~

22 ~~state family assistance, and state disability assistance~~ **THROUGH**
23 **DEPARTMENT OF HUMAN SERVICES PROGRAMS PURSUANT TO THE SOCIAL**
24 **WELFARE ACT, 1939 PA 280, MCL 400.1 TO 400.119B,** for the tax

25 year. For the purposes of this subsection, ~~aid to families with~~
26 ~~dependent children~~ **ANY ASSISTANCE THROUGH DEPARTMENT OF HUMAN**

27 **SERVICES PROGRAMS** does not include child support payments that

1 offset or reduce payments made to the claimant.

2 (8) ~~A~~**FOR TAX YEARS THAT BEGIN BEFORE JANUARY 1, 2008, A**
3 credit under subsection (1) or (2) shall be reduced by 10% for
4 each claimant whose household income exceeds \$73,650.00 and by an
5 additional 10% for each increment of \$1,000.00 of household
6 income in excess of \$73,650.00. **FOR TAX YEARS THAT BEGIN ON OR**
7 **AFTER JANUARY 1, 2008, A CREDIT UNDER SUBSECTION (1) OR (2) SHALL**
8 **BE REDUCED BY 10% FOR EACH CLAIMANT WHOSE HOUSEHOLD INCOME**
9 **EXCEEDS \$83,650.00 AND BY AN ADDITIONAL 10% FOR EACH INCREMENT OF**
10 **\$1,000.00 OF HOUSEHOLD INCOME IN EXCESS OF \$83,650.00.**

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

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

27 (11) The department may promulgate rules to implement

1 subsections (9) to ~~(16)~~-(14) and may prescribe a table to allow a
2 claimant to determine the credit provided under this section and
3 section 522 in the instruction booklet that accompanies the
4 respective income tax or property tax credit forms used by
5 claimants.

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

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

18 (14) For a return of less than 12 months, the claim for a
19 credit under subsections (9) to ~~(16)~~-(13) 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)~~-(14) on the price of rented and leased homesteads. If the
24 authority determines that the price of rented and leased
25 homesteads has increased as a result of the credit provided by
26 subsections (9) to ~~(16)~~-(14), the authority shall make
27 recommendations to the legislature to remedy this situation. The

1 report shall be made to the chairpersons of the house and senate
2 committees that have primary responsibility for taxation
3 legislation 2 years after the credit provided by subsections (9)
4 to ~~(16)~~-(14) is in effect.

5 (16) The total credit allowed by this section and section
6 522 shall not exceed \$1,200.00 ~~per year~~ **FOR TAX YEARS THAT BEGIN**
7 **BEFORE JANUARY 1, 2008 AND \$1,300.00 FOR TAX YEARS THAT BEGIN**
8 **AFTER DECEMBER 31, 2007.**

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

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

16 (b) A claimant who is a senior citizen or a paraplegic,
17 hemiplegic, or quadriplegic and for tax years that begin after
18 December 31, 1999, a claimant who is totally and permanently
19 disabled or deaf is entitled to a credit against the state income
20 tax liability for the amount by which the property taxes on the
21 homestead, the credit for rental of the homestead, or a service
22 charge in lieu of ad valorem taxes as provided by section 15a of
23 the state housing development authority act of 1966, 1966 PA 346,
24 MCL 125.1415a, for the tax year exceeds the percentage of the
25 claimant's household income for that tax year computed as
26 follows:

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

7 (c) For a tax year that begins before January 1, 2000, a
8 claimant who is totally and permanently disabled is entitled to a
9 credit against the state income tax liability equal to 60% of the
10 amount by which the property taxes on the homestead, or the
11 credit for rental of the homestead or for a service charge in
12 lieu of ad valorem taxes as provided in section 15a of the state
13 housing development authority act of 1966, 1966 PA 346, MCL
14 125.1415a, for the tax year, exceeds the percentage of the
15 claimant's household income for that tax year based on the
16 schedule in subdivision (b).

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

22 (i) Divide the taxable value allowance specified in section
23 506 by the taxable value of the homestead or, if the eligible
24 serviceperson, eligible veteran, or eligible widow or widower
25 leases or rents a homestead, divide 17% of the total annual rent
26 paid for tax years before the 1994 tax year, or 20% of the total
27 annual rent paid for tax years after the 1993 tax year on the

1 property by the property tax rate on the property.

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

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

7 (i) If the taxable value of the homestead is \$3,500.00 or
8 less, 100% of the property taxes.

9 (ii) If the taxable value of the homestead is more than
10 \$3,500.00, the percentage that \$3,500.00 bears to the taxable
11 value of the homestead.

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

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

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

21 (5) A senior citizen who has a total household income for
22 the tax year of \$6,000.00 or less and who for 1973 received a
23 senior citizen homestead exemption under former section 7c of the
24 general property tax act, ~~Act No. 206 of the Public Acts of 1893~~
25 **1893 PA 206**, may compute the credit against the state income tax
26 liability for a percentage of the property taxes on the homestead
27 for the tax year determined as follows:

1 (a) If the taxable value of the homestead is \$2,500.00 or
2 less, 100% of the property taxes.

3 (b) If the taxable value of the homestead is more than
4 \$2,500.00, the percentage that \$2,500.00 bears to the taxable
5 value of the homestead.

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

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

10 (8) The total credit allowed in this section for each year
11 ~~after December 31, 1975 shall not exceed \$1,200.00 per year~~ **THE**
12 **AMOUNT DETERMINED UNDER SECTION 520.**

13 (9) The total credit allowable under this act and part 361
14 of the natural resources and environmental protection act, 1994
15 PA 451, MCL 324.36101 to 324.36117, shall not exceed the total
16 property tax due and payable by the claimant in that year. The
17 amount by which the credit exceeds the property tax due and
18 payable shall be deducted from the credit claimed under part 361
19 of the natural resources and environmental protection act, 1994
20 PA 451, MCL 324.36101 to 324.36117.