

HOUSE BILL No. 4986

September 19, 2017, Introduced by Reps. Maturen, Howell and Leutheuser and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled "Income tax act of 1967," by amending sections 506, 520, and 522 (MCL 206.506, 206.520, and 206.522), section 506 as amended by 1996 PA 484 and sections 520 and 522 as amended by 2015 PA 179; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 506. (1) "DISABLED VETERAN" MEANS A VETERAN WHO MEETS 1
2 OF THE FOLLOWING CRITERIA:

3 (A) HAS BEEN DETERMINED BY THE UNITED STATES DEPARTMENT OF
4 VETERANS AFFAIRS TO BE PERMANENTLY AND TOTALLY DISABLED AS A RESULT
5 OF MILITARY SERVICE AND ENTITLED TO VETERANS' BENEFITS AT THE 100%
6 RATE.

1 (B) HAS A CERTIFICATE FROM THE UNITED STATES VETERANS '
 2 ADMINISTRATION, OR ITS SUCCESSORS, CERTIFYING THAT HE OR SHE IS
 3 RECEIVING OR HAS RECEIVED PECUNIARY ASSISTANCE DUE TO DISABILITY
 4 FOR SPECIALLY ADAPTED HOUSING.

5 (C) HAS BEEN RATED BY THE UNITED STATES DEPARTMENT OF VETERANS
 6 AFFAIRS AS INDIVIDUALLY UNEMPLOYABLE.

7 (2) "Eligible serviceperson", "eligible veteran", and
 8 "eligible widow or widower" means a serviceperson, veteran, or
 9 widow or widower, whose income as defined in this chapter is not
 10 more than \$7,500.00 per year unless the serviceperson, veteran, or
 11 widow or widower receives compensation paid by the veterans
 12 administration or the armed forces of the United States for service
 13 incurred disabilities and who meets the requirements of the
 14 following schedule:

15	16	17	18	19	20
	War	Person	Service in War	Disability %	Taxable Value Allowance
20	Indian	Veteran or	3 months, or	No	\$3,500.00
21	Civil	veteran's widow	1 day with	requirement	
22	Spanish-	or widower	discharge		
23	American		for service-		
24	Mexican		connected		
25			disability		
26					
27	World War I	Widow or widower	3 months, or	No	\$2,500.00

1	World War II	of nondisabled	1 day with	requirement	
2	Korean	or nonpensioned	discharge		
3		veteran	for service-		
4			connected		
5			disability		
6					
7	All wars or	Pensioned veteran	Any	No	\$3,500.00
8	presidential	or veteran's		requirement	
9	executive	widow or widower			
10	order or				
11	presidential				
12	proclamation				
13					
14	All wars or	Veteran with	Any	10-50	\$3,500.00
15	presidential	service-connected			
16	executive	disability or			
17	order or	veteran's widow			
18	presidential	or widower			
19	proclamation				
20					
21	All wars or	Veteran with	Any	60-70-80	\$4,000.00
22	presidential	service-connected			
23	executive	disability or			
24	order or	veteran's widow			
25	presidential	or widower			
26	proclamation				
27					

1	All wars or	Veteran with	Any	90-100	\$4,500.00
2	presidential	service-connected			
3	executive	disability or			
4	order or	veteran's widow			
5	presidential	or widower			
6	proclamation				
7					
8	All wars or	Widow or widower	Any	No	\$4,500.00
9	presidential	of veteran dying		requirement	
10	executive	in service			
11	order or				
12	presidential				
13	proclamation				
14					
15	Current	Serviceperson or	Any	No	\$3,500.00
16	service	serviceperson's		requirement	
17		widow or widower			

18 Sec. 520. (1) Subject to the limitations and the definitions
19 in this chapter, a claimant may claim against the tax due under
20 this part for the tax year a credit for the property taxes on the
21 taxpayer's homestead deductible for federal income tax purposes
22 pursuant to section 164 of the internal revenue code, or that would
23 have been deductible if the claimant had not elected the zero
24 bracket amount or if the claimant had been subject to the federal
25 income tax. The property taxes used for the credit computation
26 shall not be greater than the amount levied for 1 tax year. An
27 owner is not eligible for a credit under this section if the

1 taxable value of his or her homestead excluding the portion of a
2 parcel of real property that is unoccupied and classified as
3 agricultural for ad valorem tax purposes in the year for which the
4 credit is claimed is greater than \$135,000.00 through the 2021 tax
5 year. **FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31, 2017, THE TAXABLE**
6 **VALUE CAP UNDER THIS SUBSECTION DOES NOT APPLY TO AN OWNER WHO IS A**
7 **DISABLED VETERAN OR A WIDOW OR WIDOWER OF A DISABLED VETERAN.**

8 Beginning with the 2021 tax year and each tax year after 2021, the
9 taxable value cap under this subsection for the immediately
10 preceding tax year shall be adjusted by the percentage increase in
11 the United States consumer price index for the immediately
12 preceding calendar year and rounded to the nearest \$100.00
13 increment. The department shall annualize the amount in this
14 subsection as necessary. As used in this subsection, "taxable
15 value" means that value determined under section 27a of the general
16 property tax act, 1893 PA 206, MCL 211.27a.

17 (2) A person who rents or leases a homestead may claim a
18 similar credit computed under this section and section 522 based
19 upon 20% of the gross rent paid for tax years before the 2018 tax
20 year or 23% of the gross rent paid for tax years after the 2017 tax
21 year. A person who rents or leases a homestead subject to 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, may claim a similar credit computed under this
25 section and section 522 based upon 10% of the gross rent paid.

26 (3) If the credit claimed under this section and section 522
27 exceeds the tax liability for the tax year or if there is no tax

1 liability for the tax year, the amount of the claim not used as an
2 offset against the tax liability shall, after examination and
3 review, be approved for payment, without interest, to the claimant.
4 In determining the amount of the payment under this subsection,
5 withholdings and other credits shall be used first to offset any
6 tax liabilities.

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

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

19 (6) A person who discriminates in the charging or collection
20 of rent on a homestead by increasing the rent charged or collected
21 because the renter or lessee claims and receives a credit or
22 payment under this chapter is guilty of a misdemeanor.
23 Discrimination against a renter who claims and receives the credit
24 under this section and section 522 by a reduction of the rent on
25 the homestead of a person who does not claim and receive the credit
26 is a misdemeanor. If discriminatory rents are charged or collected,
27 each charge or collection of the higher or lower payment is a

1 separate offense. Each acceptance of a payment of rent is a
2 separate offense.

3 (7) A person who received aid to families with dependent
4 children, state family assistance, or state disability assistance
5 pursuant to the social welfare act, 1939 PA 280, MCL 400.1 to
6 400.119b, in the tax year for which the person is filing a return
7 shall have a credit that is authorized and computed under this
8 section and section 522 reduced by an amount equal to the product
9 of the claimant's credit multiplied by the quotient of the sum of
10 the claimant's aid to families with dependent children, state
11 family assistance, and state disability assistance for the tax year
12 divided by the claimant's total household resources. The reduction
13 of credit shall not exceed the sum of the aid to families with
14 dependent children, state family assistance, and state disability
15 assistance for the tax year. For the purposes of this subsection,
16 aid to families with dependent children does not include child
17 support payments that offset or reduce payments made to the
18 claimant.

19 (8) For tax years before the 2018 tax year, a credit under
20 subsection (1) or (2) shall be reduced by 10% for each claimant
21 whose total household resources exceed the minimum total household
22 resources amount of \$41,000.00 and by an additional 10% for each
23 increment of \$1,000.00 of total household resources in excess of
24 \$41,000.00. Except as otherwise provided under this subsection, for
25 the 2018 tax year and each tax year after 2018, the minimum total
26 household resources amount is \$51,000.00. For the 2018 tax year and
27 each tax year after 2018, a credit under subsection (1) or (2)

1 shall be reduced by 10% for each claimant whose total household
2 resources exceed the minimum total household resources amount
3 established under this subsection and by an additional 10% for each
4 increment of \$1,000.00 of total household resources in excess of
5 the minimum total household resources amount for that tax year. For
6 the 2021 tax year and each tax year after 2021, the minimum total
7 household resources threshold amount established under this
8 subsection for the immediately preceding tax year shall be adjusted
9 by the percentage increase in the United States consumer price
10 index for the immediately preceding calendar year and rounded to
11 the nearest \$100.00 increment. **FOR TAX YEARS THAT BEGIN AFTER**
12 **DECEMBER 31, 2017, THIS SUBSECTION DOES NOT APPLY TO A CLAIMANT WHO**
13 **IS A DISABLED VETERAN OR A WIDOW OR WIDOWER OF A DISABLED VETERAN.**

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

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

1 522 and adjusted pursuant to subsection (7) or (8).

2 (11) The department may promulgate rules to implement
3 subsections (9) to (15) and may prescribe a table to allow a
4 claimant to determine the credit provided under this section and
5 section 522 in the instruction booklet that accompanies the
6 respective income tax or property tax credit forms used by
7 claimants.

8 (12) A senior citizen **AND DISABLED VETERAN** may claim the
9 credit under subsections (9) to (15) on the same form as the
10 property tax credit permitted by subsection (2). The department
11 shall adjust the forms accordingly.

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

19 (14) For a return of less than 12 months, the claim for a
20 credit under subsections (9) to (15) shall be reduced
21 proportionately.

22 (15) For tax years before the 2018 tax year, the total credit
23 allowed by this section and section 522 shall not exceed \$1,200.00
24 per year. Except as otherwise provided under this subsection, for
25 the 2018 tax year and each tax year after 2018, the total credit
26 allowed by this section and section 522 shall not exceed \$1,500.00
27 per year. Beginning with the 2021 tax year and each tax year after

1 2021, the maximum amount of the credit allowed under this section
2 and section 522 for the immediately preceding tax year shall be
3 adjusted by the percentage increase in the United States consumer
4 price index for the immediately preceding calendar year. The
5 department shall round the amount to the nearest \$100.00 increment.

6 **FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31, 2017, THIS SUBSECTION**
7 **DOES NOT APPLY TO A CLAIMANT WHO IS A DISABLED VETERAN OR A WIDOW**
8 **OR WIDOWER OF A DISABLED VETERAN.**

9 (16) As used in this section, "United States consumer price
10 index" means the United States consumer price index for all urban
11 consumers as defined and reported by the United States Department
12 of Labor, Bureau of Labor Statistics.

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

15 (a) A claimant who is not a senior citizen **OR A DISABLED**
16 **VETERAN** is entitled to a credit against the state income tax
17 liability under this part equal to 60% of the amount by which the
18 property taxes on the homestead, or the credit for rental of the
19 homestead for the tax year, exceeds 3.5% of the claimant's total
20 household resources for tax years before the 2018 tax year or 3.2%
21 of the claimant's total household resources for the 2018 tax year
22 and each tax year after 2018.

23 (b) A claimant who is a senior citizen is entitled to a credit
24 against the state income tax liability under this part equal to the
25 following:

26 (i) For a claimant with total household resources of
27 \$21,000.00 or less, an amount as determined in accordance with

1 subdivision (c).

2 (ii) For a claimant with total household resources of more
3 than \$21,000.00 and less than or equal to \$22,000.00, an amount
4 equal to 96% of the difference between the property taxes on the
5 homestead or the credit for rental of the homestead for the tax
6 year and 3.5% of total household resources for tax years before the
7 2018 tax year or 3.2% of total household resources for the 2018 tax
8 year and each tax year after 2018.

9 (iii) For a claimant with total household resources of more
10 than \$22,000.00 and less than or equal to \$23,000.00, an amount
11 equal to 92% of the difference between the property taxes on the
12 homestead or the credit for rental of the homestead for the tax
13 year and 3.5% of total household resources for tax years before the
14 2018 tax year or 3.2% of total household resources for the 2018 tax
15 year and each tax year after 2018.

16 (iv) For a claimant with total household resources of more
17 than \$23,000.00 and less than or equal to \$24,000.00, an amount
18 equal to 88% of the difference between the property taxes on the
19 homestead or the credit for rental of the homestead for the tax
20 year and 3.5% of total household resources for tax years before the
21 2018 tax year or 3.2% of total household resources for the 2018 tax
22 year and each tax year after 2018.

23 (v) For a claimant with total household resources of more than
24 \$24,000.00 and less than or equal to \$25,000.00, an amount equal to
25 84% of the difference between the property taxes on the homestead
26 or the credit for rental of the homestead for the tax year and 3.5%
27 of total household resources for tax years before the 2018 tax year

1 or 3.2% of total household resources for the 2018 tax year and each
2 tax year after 2018.

3 (vi) For a claimant with total household resources of more
4 than \$25,000.00 and less than or equal to \$26,000.00, an amount
5 equal to 80% of the difference between the property taxes on the
6 homestead or the credit for rental of the homestead for the tax
7 year and 3.5% of total household resources for tax years before the
8 2018 tax year or 3.2% of total household resources for the 2018 tax
9 year and each tax year after 2018.

10 (vii) For a claimant with total household resources of more
11 than \$26,000.00 and less than or equal to \$27,000.00, an amount
12 equal to 76% of the difference between the property taxes on the
13 homestead or the credit for rental of the homestead for the tax
14 year and 3.5% of total household resources for tax years before the
15 2018 tax year or 3.2% of total household resources for the 2018 tax
16 year and each tax year after 2018.

17 (viii) For a claimant with total household resources of more
18 than \$27,000.00 and less than or equal to \$28,000.00, an amount
19 equal to 72% of the difference between the property taxes on the
20 homestead or the credit for rental of the homestead for the tax
21 year and 3.5% of total household resources for tax years before the
22 2018 tax year or 3.2% of total household resources for the 2018 tax
23 year and each tax year after 2018.

24 (ix) For a claimant with total household resources of more
25 than \$28,000.00 and less than or equal to \$29,000.00, an amount
26 equal to 68% of the difference between the property taxes on the
27 homestead or the credit for rental of the homestead for the tax

1 year and 3.5% of total household resources for tax years before the
2 2018 tax year or 3.2% of total household resources for the 2018 tax
3 year and each tax year after 2018.

4 (x) For a claimant with total household resources of more than
5 \$29,000.00 and less than or equal to \$30,000.00, an amount equal to
6 64% of the difference between the property taxes on the homestead
7 or the credit for rental of the homestead for the tax year and 3.5%
8 of total household resources for tax years before the 2018 tax year
9 or 3.2% of total household resources for the 2018 tax year and each
10 tax year after 2018.

11 (xi) For a claimant with total household resources of more
12 than \$30,000.00, an amount equal to 60% of the difference between
13 the property taxes on the homestead or the credit for rental of the
14 homestead for the tax year and 3.5% of total household resources
15 for tax years before the 2018 tax year or 3.2% of total household
16 resources for the 2018 tax year and each tax year after 2018.

17 (c) A claimant who is a senior citizen with total household
18 resources of \$21,000.00 or less or a paraplegic, hemiplegic, or
19 quadriplegic and for tax years that begin after December 31, 1999,
20 a claimant who is totally and permanently disabled, deaf, or, for
21 tax years that begin after December 31, 2012, blind is entitled to
22 a credit against the state income tax liability for the amount by
23 which the property taxes on the homestead, the credit for rental of
24 the homestead, or a service charge in lieu of ad valorem taxes as
25 provided by section 15a of the state housing development authority
26 act of 1966, 1966 PA 346, MCL 125.1415a, for the tax year exceeds
27 the percentage of the claimant's total household resources for that

1 tax year computed as follows:

2	Total household resources	Percentage
3	Not over \$3,000.00	.0%
4	Over \$3,000.00 but not over \$4,000.00	1.0%
5	Over \$4,000.00 but not over \$5,000.00	2.0%
6	Over \$5,000.00 but not over \$6,000.00	3.0%
7	Over \$6,000.00 for tax years before	
8	the 2018 tax year	3.5%
9	Over \$6,000.00 for tax years after	
10	the 2017 tax year	3.2%

11 (d) A claimant who is an eligible serviceperson, eligible
 12 veteran, or eligible widow or widower is entitled to a credit
 13 against the state income tax liability for a percentage of the
 14 property taxes on the homestead for the tax year not in excess of
 15 100% determined as follows:

16 (i) Divide the taxable value allowance specified in section
 17 506 by the taxable value of the homestead or, if the eligible
 18 serviceperson, eligible veteran, or eligible widow or widower
 19 leases or rents a homestead, divide 20% of the total annual rent
 20 paid for tax years before the 2018 tax year or 23% of the total
 21 annual rent paid for tax years after the 2017 tax year on the
 22 property by the property tax rate on the property.

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

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

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

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

6 **(F) FOR TAX YEARS THAT BEGIN AFTER DECEMBER 31, 2017, A**
7 **CLAIMANT WHO IS A DISABLED VETERAN OR A WIDOW OR WIDOWER OF A**
8 **DISABLED VETERAN IS ENTITLED TO A CREDIT AGAINST THE STATE INCOME**
9 **TAX LIABILITY IN AN AMOUNT EQUAL TO 100% OF THE PROPERTY TAXES ON**
10 **THE HOMESTEAD FOR THE TAX YEAR OR 23% OF THE GROSS RENT PAID FOR**
11 **THE TAX YEAR.**

12 (2) A person who is qualified to make a claim under more than
13 1 classification shall elect the classification under which the
14 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 of
20 the social security act, 42 USC 416.

21 (5) A senior citizen who has total household resources for the
22 tax year of \$6,000.00 or less and who for 1973 received a senior
23 citizen homestead exemption under former section 7c of the general
24 property tax act, 1893 PA 206, may compute the credit against the
25 state income tax liability for a percentage of the property taxes
26 on the homestead for the tax year determined as follows:

27 (a) If the taxable value of the homestead is \$2,500.00 or

1 less, 100% of the property taxes.

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

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

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

9 (8) The total credit allowed in this section for each year
10 shall not exceed the amount determined under section 520.

11 (9) The total credit allowable under this part and part 361 of
12 the natural resources and environmental protection act, 1994 PA
13 451, MCL 324.36101 to 324.36117, shall not exceed the total
14 property tax due and payable by the claimant in that year. The
15 amount by which the credit exceeds the property tax due and payable
16 shall be deducted from the credit claimed under part 361 of the
17 natural resources and environmental protection act, 1994 PA 451,
18 MCL 324.36101 to ~~324.36117~~. **324.36116**.

19 Enacting section 1. Section 7b of the general property tax
20 act, 1893 PA 206, MCL 211.7b, is repealed effective December 31,
21 2017.