

HOUSE BILL No. 4308

February 23, 1989, Introduced by Reps. DeBeaussiaert, O'Neill, Nye, Oxender, Jondahl, Keith, Pitoniak, Rocca, Clack, Gire, Hickner, DeMars and Barns and referred to the Committee on Taxation.

A bill to amend sections 520 and 522 of Act No. 281 of the Public Acts of 1967, entitled

"Income tax act of 1967,"

section 520 as amended by Act No. 516 of the Public Acts of 1988 and section 522 as amended by Act No. 254 of the Public Acts of 1987, being sections 206.520 and 206.522 of the Michigan Compiled Laws; and to add section 252.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 520 and 522 of Act No. 281 of the
2 Public Acts of 1967, section 520 as amended by Act No. 516 of the
3 Public Acts of 1988 and section 522 as amended by Act No. 254 of
4 the Public Acts of 1987, being sections 206.520 and 206.522 of
5 the Michigan Compiled Laws, are amended and section 252 is added
6 to read as follows:

1 SEC. 252. (1) A TAXPAYER WITH A HOUSEHOLD INCOME, AS
2 DEFINED IN SECTION 508, OF LESS THAN 150% OF THE FEDERAL POVERTY
3 INCOME STANDARDS, AS DEFINED AND DETERMINED ANNUALLY BY THE
4 UNITED STATES OFFICE OF MANAGEMENT AND BUDGET AS CERTIFIED BY THE
5 DEPARTMENT, WHO DOES NOT RECEIVE THE BENEFIT OF THE EXEMPTION
6 PROVIDED BY SECTION 4M OF THE GENERAL SALES TAX ACT, ACT NO. 167
7 OF THE PUBLIC ACTS OF 1933, BEING SECTION 205.54M OF THE MICHIGAN
8 COMPILED LAWS, OR BY SECTION 4J OF THE USE TAX ACT, ACT NO. 94 OF
9 THE PUBLIC ACTS OF 1937, BEING SECTION 205.94J OF THE MICHIGAN
10 COMPILED LAWS, MAY CLAIM A CREDIT OF \$60.00 AGAINST THE TAX
11 IMPOSED BY THIS ACT. IF THE TAXPAYER RECEIVES THE BENEFIT OF THE
12 EXEMPTION UNDER THE GENERAL SALES TAX ACT FOR A PORTION OF THE
13 TAX YEAR, THE CREDIT UNDER THIS SECTION SHALL BE PRORATED TO
14 ACCOUNT FOR ONLY THAT PORTION OF THE TAX YEAR FOR WHICH THE
15 EXEMPTION IS NOT RECEIVED.

16 (2) IF THE AMOUNT OF THE CREDIT UNDER SUBSECTION (1) EXCEEDS
17 THE PERSON'S INCOME TAX LIABILITY FOR THE TAX YEAR, THE TREASURER
18 SHALL PAY TO THE CLAIMANT THE AMOUNT OF THE CREDIT NOT USED AS AN
19 OFFSET AGAINST THE STATE INCOME TAX.

20 (3) THE DEPARTMENT OF TREASURY SHALL PROMULGATE RULES UNDER
21 THE ADMINISTRATIVE PROCEDURES ACT OF 1969, ACT NO. 306 OF THE
22 PUBLIC ACTS OF 1969, BEING SECTIONS 24.201 TO 24.328 OF THE
23 MICHIGAN COMPILED LAWS, TO IMPLEMENT THIS SECTION.

24 Sec. 520. (1) Subject to the limitations and the defini-
25 tions set out in this chapter, a claimant may claim against his
26 or her state income tax otherwise due for the tax year a credit
27 for the property taxes on the homestead deductible for federal

1 income taxes pursuant to section 164 of the internal revenue
2 code, or that would have been deductible if the claimant had not
3 elected the zero bracket amount or if the claimant had been
4 subject to the federal income tax. The property taxes used for
5 the credit computation shall not be greater than the amount
6 levied for 1 tax year.

7 (2) A person who is renting or leasing a homestead may claim
8 a similar credit, computed pursuant to section 522, that shall be
9 based upon ~~17%~~ 20% of the gross rent paid. A person renting or
10 leasing a homestead subject to a service charge in lieu of ad
11 valorem taxes as provided by section 15a of the state housing
12 development authority act of 1966, Act No. 346 of the Public Acts
13 of 1966, as amended, being section 125.1415a of the Michigan
14 Compiled Laws, may claim a similar credit, computed pursuant to
15 section 522, that shall be based upon 10% of the gross rent
16 paid.

17 (3) If the allowable amount of the ~~claim~~ CREDIT CLAIMED
18 UNDER THIS SECTION exceeds the state income tax otherwise due for
19 the tax year or if there is no state income tax due for the tax
20 year, the amount of the claim not used as an offset against the
21 state income tax shall, after examination and review, be approved
22 for payment, without interest, to the claimant. A payment
23 approved pursuant to this subsection to a claimant eligible for a
24 credit under subsection (1) shall be made in a check or warrant
25 exclusive of refunds due for withholdings or other credits
26 allowed by this act. ~~and, in~~ IN determining the amount of this

1 check or warrant, withholdings and other credits shall be used
2 first to offset any tax liabilities.

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

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

15 (6) A person who discriminates in the charging or collection
16 of rent on a homestead by increasing the rent charged or col-
17 lected because the renter or lessee is claiming and receiving a
18 credit or payment under this chapter is guilty of a misdemeanor.
19 Discrimination against a renter claiming and receiving the credit
20 by reduction of rent on the homestead of a person not claiming or
21 receiving the credit is a misdemeanor. If discriminatory rents
22 are charged or collected, each charge and collection of both the
23 higher and lower payment shall be considered a separate offense.
24 Each acceptance of a payment of rent shall be considered a sepa-
25 rate offense.

26 (7) A person who received aid to dependent children payments
27 pursuant to section 56 of the social welfare act, Act No. 280 of

1 the Public Acts of 1939, as amended, being section 400.56 of the
2 Michigan Compiled Laws, or general relief payments pursuant to
3 sections 55 and 55a of the social welfare act, Act No. 280 of the
4 Public Acts of 1939, as amended, being sections 400.55
5 and 400.55a of the Michigan Compiled Laws, in the tax year for
6 which the person is filing a return shall have a credit that is
7 authorized pursuant to this section and computed pursuant to
8 section 522 reduced by an amount equal to the product of the
9 claimant's credit, as computed pursuant to section 522, multi-
10 plied by the quotient of the sum of the claimant's aid to depen-
11 dent children payments and general relief payments for the tax
12 year divided by the claimant's household income. The reduction
13 of credit shall not exceed the sum of the aid to dependent chil-
14 dren payments and general relief payments for the tax year. For
15 the purposes of this subsection, aid to dependent children pay-
16 ments ~~shall~~ DO not include child support payments that offset
17 or reduce payments made to the claimant. This subsection applies
18 only to the 1980 through the 1989 tax years.

19 (8) For tax years commencing after December 31, 1984, a
20 credit under subsection (1) or (2) shall be reduced by 10% for
21 each claimant whose household income exceeds \$73,650.00 and by an
22 additional 10% for each increment of \$1,000.00 of household
23 income in excess of \$73,650.00.

24 (9) If the credit permitted by subsection (2), which is cal-
25 culated pursuant to section 522 and adjusted pursuant to
26 ~~subsections~~ SUBSECTION (7) ~~and~~ OR (8), does not provide to a
27 senior citizen who is renting or leasing a homestead that amount

1 attributable to rent that constitutes more than the following
2 percentage of the household income of the senior citizen, the
3 senior citizen may claim a credit based upon the amount of house-
4 hold income attributable to rent as provided by this section,
5 subject to the limitations of this section:

6 (a) 50% for a credit claimed for the 1982 tax year.

7 (b) 45% for a credit claimed for the 1983 tax year.

8 (c) 40% for a credit claimed for the 1984 tax year or a tax
9 year after the 1984 tax year.

10 (10) For tax years commencing after December 31, 1981, a
11 senior citizen whose gross rent paid for the tax year is more
12 than the percentage of household income specified in subsection
13 (9) for the respective tax year may claim a credit for the amount
14 of rent paid that constitutes more than the percentage of the
15 household income of the senior citizen specified in subsection
16 (9) for the respective tax year and that was not provided to the
17 senior citizen by the credit computed pursuant to section 522 and
18 adjusted pursuant to ~~subsections~~ SUBSECTION (7) ~~and~~ OR (8).

19 (11) The department may promulgate rules to implement sub-
20 sections (9) to (16) and may prescribe a table to allow a claim-
21 ant to determine the credit provided under subsections (9) to
22 (16) and section 522 in the instruction booklet that accompanies
23 the respective income tax or property tax credit forms used by
24 claimants.

25 (12) A senior citizen may claim the credit under subsections
26 (9) to (16) on the same form as the property tax credit permitted

1 by subsection (2). The department shall adjust the forms
2 accordingly.

3 (13) A senior citizen who, after December 31, 1981, moves to
4 a different rented or leased homestead shall determine, for 2 tax
5 years after the move, both his or her qualification to claim a
6 credit under subsections (9) to (16) and the amount of a credit
7 under subsections (9) to (16) on the basis of the annualized
8 final monthly rental payment at his or her previous homestead, if
9 this annualized rental is less than the senior citizen's actual
10 annual rental payments.

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

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

25 (16) The total credit allowed by subsections (9) to (15) and
26 section 522 shall not exceed \$1,200.00 per year.

1 (17) Subsection (8) does not apply for any tax year to which
2 subsection (7) does not apply.

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

5 (a) A claimant ~~, other than a senior citizen, a paraplegic~~
6 ~~or quadriplegic, a totally and permanently disabled person, an~~
7 ~~eligible serviceperson, an eligible veteran, an eligible widow or~~
8 ~~widower, or a blind person,~~ is entitled to a credit against the
9 state income tax liability equal to 60% of the amount by which
10 the property taxes on the homestead, or the credit for rental of
11 the homestead for the taxable year, exceeds 3.5% of the
12 claimant's ~~total~~ household income for that taxable year.

13 (b) A CLAIMANT WHO IS A senior citizen or a paraplegic or
14 quadriplegic is entitled to a credit against the state income tax
15 liability for the amount by which the property taxes on the home-
16 stead, the credit for rental of the homestead, or a service
17 charge in lieu of ad valorem taxes as provided by section 15a of
18 the state housing development authority act of 1966, Act No. 346
19 of the Public Acts of 1966, as amended, being section 125.1415a
20 of the Michigan Compiled Laws, for the taxable year exceeds the
21 percentage of the claimant's ~~total~~ household income for that
22 taxable year computed as follows:

	Household income	Percentage
2	Not over \$3,000.00 \$5,000.00	.0%
3	Over \$3,000.00 \$5,000.00 but not over	
4	\$4,000.00 \$6,000.00	1.0%
5	Over \$4,000.00 \$6,000.00 but not over	
6	\$5,000.00 \$7,000.00	2.0%
7	Over \$5,000.00 \$7,000.00 but not over	
8	\$6,000.00 \$8,000.00	3.0%
9	OVER \$8,000.00 BUT NOT OVER \$20,000.00	3.25%
10	Over \$6,000.00 \$20,000.00	3.5%

11
 12 (c) A CLAIMANT WHO IS totally and permanently disabled
 13 ~~person~~ is entitled to a credit against the state income tax
 14 liability equal to 60% of the amount by which the property taxes
 15 on the homestead, or the credit for rental of the homestead or
 16 for a service charge in lieu of ad valorem taxes as provided in
 17 section 15a of the state housing development authority act of
 18 1966, being section 125.1415a of the Michigan Compiled Laws, for
 19 the taxable year, exceeds the percentage of the claimant's
 20 ~~total~~ household income for that taxable year based on the
 21 schedule in subdivision (b).

22 (d) ~~An~~ A CLAIMANT WHO IS AN eligible serviceperson, eligi-
 23 ble veteran, or eligible widow or widower is entitled to a credit
 24 against the state income tax liability for a percentage of the
 25 property taxes on the homestead for the taxable year not in
 26 excess of 100% determined as follows:

27 (i) Divide the state equalized value allowance specified in
 28 section 506 by the state equalized value of the homestead or, if
 29 the eligible serviceperson, eligible veteran, or eligible widow

1 or widower leases or rents a homestead, divide ~~17%~~ 20% of the
2 total annual rent paid on the property by the property tax rate
3 on the property.

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

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

10 (i) If the state equalized value of the homestead is
11 \$3,500.00 or less, — 100% of the property taxes.

12 (ii) If the state equalized value of the homestead is more
13 than \$3,500.00, the percentage that \$3,500.00 bears to the state
14 equalized value of the homestead.

15 (2) A person who is qualified to make a claim ~~in~~ UNDER
16 more than 1 ~~capacity~~ CLASSIFICATION shall elect the ~~capacity~~
17 ~~in~~ CLASSIFICATION UNDER which the claim is made.

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

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

24 (5) A senior citizen who has a ~~total~~ household income for
25 the taxable year of \$6,000.00 or less and who for 1973 received a
26 senior citizen homestead exemption under former section 7c of Act
27 No. 206 of the Public Acts of 1893 may compute the credit against

1 the state income tax liability for a percentage of the property
2 taxes on the homestead for the taxable year determined as
3 follows:

4 (a) If the state equalized value of the homestead is
5 \$2,500.00 or less, — 100% of the property taxes.

6 (b) If the state equalized value of the homestead is more
7 than \$2,500.00, the percentage that \$2,500.00 bears to the state
8 equalized value of the homestead.

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

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

13 (8) The total credit allowed in this section ~~for a taxable~~
14 ~~period prior to January 1, 1976, shall not exceed \$500.00 per~~
15 ~~year and~~ for each year after December 31, 1975, shall not exceed
16 \$1,200.00 per year.

17 (9) The total credit allowable under this act and the farm-
18 land and open space preservation act, Act No. 116 of the Public
19 Acts of 1974, as amended, being sections 554.701 to 554.719 of
20 the Michigan Compiled Laws, shall not exceed the total property
21 tax due and payable by the claimant in that year. The amount BY
22 WHICH the credit exceeds the property tax due and payable shall
23 be deducted from the credit claimed under Act No. 116 of the
24 Public Acts of 1974, as amended.

25 Section 2. This amendatory act shall not take effect unless
26 House Joint Resolution B of the 85th Legislature becomes a part

1 of the constitution as provided in section 1 of article XII of
2 the state constitution of 1963.