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SFA**BILL ANALYSIS**

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Senate Bill 725 (as introduced 10-1-97)

Sponsor: Senator Leon Stille

Committee: Finance

Date Completed: 5-26-98

CONTENT

The bill would amend the Income Tax Act to increase the taxable value allowance that an eligible veteran, veteran's widow or widower, or active serviceperson may use to calculate his or her homestead property tax credit, and index the taxable value allowance to inflation.

Currently, the Act provides that an eligible veteran, veteran's widow or widower, or active serviceperson, with income up to \$7,500, may claim a homestead property tax credit according to the following calculation (in which taxable value allowance is TVA; taxable value is TV):

$$\frac{TVA}{TV} = A$$

A x property taxes paid = homestead property tax credit.

In other words, an eligible taxpayer must take his or her TVA and divide it by the taxable value of his or her home. The result is a percentage, which when multiplied by the property taxes the taxpayer paid equals the credit he or she is allowed to claim. The TVA is listed in the Act and ranges from \$2,500 to \$4,500 depending on such factors as service in war, whether the person is a veteran, widow or widower, or active serviceperson, and degree of disability, if any. The bill would increase all the TVA levels by \$1,000. The bill further provides that for the 1998 tax year and thereafter the TVA would be adjusted each year by the percentage increase in the U.S. Consumer Price Index for the immediately preceding year.

The bill provides that it would be retroactive and take effect for tax years beginning on or after January 1, 1997.

MCL 206.506

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would reduce General Fund/General Purpose revenue by an estimated \$0.6 million in FY 1998-99.

Fiscal Analyst: J. Wortley

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