

HOUSE BILL No. 4214

January 30, 1997, Introduced by Reps. Profit, LaForge, Brater, Mans, Prusi, Quarles, Parks, Murphy, Leland, Wallace, Dobronski, Martinez, Baade, Mathieu, Hale, Schermesser, Rison and Brewer and referred to the Committee on Tax Policy.

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 1996 PA 55.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 520. (1) Subject to the limitations and the defini-
2 tions in this chapter, a claimant may claim against the tax due
3 under this act for the tax year a credit for the property taxes
4 on the taxpayer's homestead deductible for federal income tax
5 purposes pursuant to section 164 of the internal revenue code, or
6 that would have been deductible if the claimant had not elected
7 the zero bracket amount or if the claimant had been subject to
8 the federal income tax. The property taxes used for the credit

1 computation shall not be greater than the amount levied for 1 tax
2 year.

3 (2) A person who rents or leases a homestead may claim a
4 similar credit computed under this section and section 522 based
5 upon 17% of the gross rent paid for tax years before the 1994 tax
6 year ~~—~~ or 20% of the gross rent paid for tax years after the
7 1993 tax year, OR FOR TAX YEARS AFTER THE 1996 TAX YEAR BASED
8 UPON CALCULATIONS MADE UNDER SUBSECTION (3). A person who rents
9 or leases a homestead subject to a service charge in lieu of ad
10 valorem taxes as provided by section 15a of the state housing
11 development authority act of 1966, ~~Act No. 346 of the Public~~
12 ~~Acts of 1966, being section 125.1415a of the Michigan Compiled~~
13 ~~Laws~~ 1966 PA 346, MCL 125.1415A, may claim a similar credit com-
14 puted under this section and section 522 based upon 10% of the
15 gross rent paid.

16 (3) FOR TAX YEARS AFTER THE 1996 TAX YEAR, A PERSON WHO
17 RENTS OR LEASES A HOMESTEAD MAY CLAIM A CREDIT UNDER THIS SECTION
18 AND SECTION 522 EQUAL TO THE FOLLOWING PERCENTAGE OF GROSS RENT
19 PAID FOR THE TAX YEAR:

20 (A) FOR THE 1997 TAX YEAR, 3%.

21 (B) FOR THE 1998 TAX YEAR, 4%.

22 (C) FOR THE 1999 TAX YEAR, 6%.

23 (D) FOR THE 2000 TAX YEAR, 8%.

24 (E) FOR TAX YEARS AFTER THE 2001 TAX YEAR, 10%.

25 (4) ~~-(3)-~~ If the credit claimed under this section and
26 section 522 exceeds the tax liability for the tax year or if
27 there is no tax liability for the tax year, the amount of the

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

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

16 (6) ~~(5)~~ Only the renter or lessee shall claim a credit on
17 property that is rented or leased as a homestead.

18 (7) ~~(6)~~ A person who discriminates in the charging or col-
19 lection of rent on a homestead by increasing the rent charged or
20 collected because the renter or lessee claims and receives a
21 credit or payment under this chapter is guilty of a misdemeanor.
22 Discrimination against a renter who claims and receives the
23 credit under this section and section 522 by a reduction of the
24 rent on the homestead of a person who does not claim and receive
25 the credit is a misdemeanor. If discriminatory rents are charged
26 or collected, each charge or collection of the higher or lower

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

3 (8) ~~-(7)-~~ A person who received aid to families with depen-
4 dent children, state family assistance, FAMILY INDEPENDENCE
5 ASSISTANCE, or state disability assistance pursuant to the social
6 welfare act, ~~Act No. 280 of the Public Acts of 1939, as amended,~~
7 ~~being sections 400.1 to 400.119b of the Michigan Compiled Laws~~
8 1939 PA 280, MCL 400.1 TO 400.119B, in the tax year for which the
9 person is filing a return shall have a credit that is authorized
10 and computed under this section and section 522 reduced by an
11 amount equal to the product of the claimant's credit multiplied
12 by the quotient of the sum of the claimant's aid to families with
13 dependent children, state family assistance, FAMILY INDEPENDENCE
14 ASSISTANCE, and state disability assistance for the tax year
15 divided by the claimant's household income. The reduction of
16 credit shall not exceed the sum of the aid to families with
17 dependent children, state family assistance, FAMILY INDEPENDENCE
18 ASSISTANCE, and state disability assistance for the tax year.
19 For the purposes of this subsection, aid to families with depen-
20 dent children does not include child support payments that offset
21 or reduce payments made to the claimant.

22 (9) ~~-(8)-~~ A credit under subsection (1) or (2) BUT NOT A
23 CREDIT CALCULATED UNDER SUBSECTION (3) shall be reduced by 10%
24 for each claimant whose household income exceeds \$73,650.00 and
25 by an additional 10% for each increment of \$1,000.00 of household
26 income in excess of \$73,650.00.

1 (10) ~~(9)~~ If the credit authorized and calculated under
2 this section and section 522 and adjusted under subsection ~~(7)~~
3 ~~or~~ (8) OR (9) does not provide to a senior citizen who rents or
4 leases a homestead that amount attributable to rent that consti-
5 tutes more than 40% of the household income of the senior citi-
6 zen, the senior citizen may claim a credit based upon the amount
7 of household income attributable to rent as provided by this
8 section.

9 (11) ~~(10)~~ A senior citizen whose gross rent paid for the
10 tax year is more than the percentage of household income speci-
11 fied in subsection ~~(9)~~ (10) for the respective tax year may
12 claim a credit for the amount of rent paid that constitutes more
13 than the percentage of the household income of the senior citizen
14 specified in subsection ~~(9)~~ (10) and that was not provided to
15 the senior citizen by the credit computed pursuant to this sec-
16 tion and section 522 and adjusted pursuant to subsection ~~(7)~~ ~~or~~
17 (8) OR (9).

18 (12) ~~(11)~~ The department may promulgate rules to implement
19 subsections ~~(9)~~ (10) to ~~(16)~~ (15) and may prescribe a table
20 to allow a claimant to determine the credit provided under this
21 section and section 522 in the instruction booklet that accom-
22 panies the respective income tax or property tax credit forms
23 used by claimants.

24 (13) ~~(12)~~ A senior citizen may claim the credit under sub-
25 sections ~~(9)~~ (10) to ~~(16)~~ (15) on the same form as the prop-
26 erty tax credit permitted by subsection (2) OR (3). The
27 department shall adjust the forms accordingly.

1 (14) ~~(13)~~ A senior citizen who moves to a different rented
2 or leased homestead shall determine, for 2 tax years after the
3 move, both his or her qualification to claim a credit under sub-
4 sections ~~(9)~~ (10) to ~~(16)~~ (15) and the amount of a credit
5 under subsections ~~(9)~~ (10) to ~~(16)~~ (15) on the basis of the
6 annualized final monthly rental payment at his or her previous
7 homestead, if this annualized rental is less than the senior
8 citizen's actual annual rental payments.

9 (15) ~~(14)~~ For a return of less than 12 months, the claim
10 for a credit under subsections ~~(9)~~ (10) to ~~(16)~~ (15) shall be
11 reduced proportionately.

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

23 (16) The total credit allowed by this section and section
24 522 EXCEPT FOR A CREDIT CALCULATED UNDER SUBSECTION (3) shall not
25 exceed \$1,200.00 per year.

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

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1 (a) A claimant is entitled to a credit against the state
 2 income tax liability equal to 60% of the amount by which the
 3 property taxes on the homestead, or the credit for rental of the
 4 homestead for the taxable year, exceeds 3.5% of the claimant's
 5 household income for that taxable year.

6 (b) A claimant who is a senior citizen or a paraplegic,
 7 HEMIPLEGIC, or quadriplegic is entitled to a credit against the
 8 state income tax liability for the amount by which the property
 9 taxes on the homestead, OR the credit for rental of the homestead
 10 ~~—~~ CALCULATED UNDER SECTION 520(2) or FOR a service charge in
 11 lieu of ad valorem taxes as provided by section 15a of the state
 12 housing development authority act of 1966, ~~Act No. 346 of the~~
 13 ~~Public Acts of 1966, being section 125.1415a of the Michigan~~
 14 ~~Compiled Laws~~ 1966 PA 346, MCL 125.1415A, for the taxable year
 15 exceeds the percentage of the claimant's household income for
 16 that taxable year computed as follows:

17

18 Household income	Percentage
19 Not over \$3,000.00	.0%
20 Over \$3,000.00 but not over \$4,000.00	1.0%
21 Over \$4,000.00 but not over \$5,000.00	2.0%
22 Over \$5,000.00 but not over \$6,000.00	3.0%
23 Over \$6,000.00	3.5%

24 (c) A claimant who is totally and permanently disabled is
 25 entitled to a credit against the state income tax liability equal
 26 to 60% of the amount by which the property taxes on the
 27 homestead, or the credit for rental of the homestead CALCULATED

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1 UNDER SECTION 520(2) or for a service charge in lieu of ad
2 valorem taxes as provided in section 15a of ~~Act No. 346 of the~~
3 ~~Public Acts of 1966~~ THE STATE HOUSING DEVELOPMENT AUTHORITY ACT
4 OF 1966, 1966 PA 346, MCL 125.1415A, for the taxable year,
5 exceeds the percentage of the claimant's household income for
6 that taxable year based on the schedule in subdivision (b).

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

12 (i) Divide the state equalized value allowance specified in
13 section 506 by the state equalized value of the homestead or, if
14 the eligible serviceperson, eligible veteran, or eligible widow
15 or widower leases or rents a homestead AND CLAIMS A CREDIT CALCU-
16 LATED UNDER SECTION 520(2), divide 17% of the total annual rent
17 paid for tax years before the 1994 tax year, or 20% of the total
18 annual rent paid for tax years after the 1993 tax year on the
19 property by the property tax rate on the property.

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

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

26 (i) If the state equalized value of the homestead is
27 \$3,500.00 or less, 100% of the property taxes.

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

4 (2) A person who is qualified to make a claim under more
5 than 1 classification shall elect the classification under which
6 the claim is made.

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

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

13 (5) A senior citizen who has a total household income for
14 the taxable year of \$6,000.00 or less and who for 1973 received a
15 senior citizen homestead exemption under former section 7c of the
16 general property tax act, ~~Act No. 206 of the Public Acts of~~
17 ~~1893~~ 1893 PA 206, may compute the credit against the state
18 income tax liability for a percentage of the property taxes on
19 the homestead for the taxable year determined as follows:

20 (a) If the state equalized value of the homestead is
21 \$2,500.00 or less, 100% of the property taxes.

22 (b) If the state equalized value of the homestead is more
23 than \$2,500.00, the percentage that \$2,500.00 bears to the state
24 equalized value of the homestead.

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

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

3 (8) The total credit allowed in this section for each year
4 after December 31, 1975 shall not exceed \$1,200.00 per year.

5 (9) The total credit allowable under this act and part 361
6 (farmland and open space preservation) of the natural resources
7 and environmental protection act, ~~Act No. 451 of the Public Acts~~
8 ~~of 1994, being sections 324.36101 to 324.36117 of the Michigan~~
9 ~~Compiled Laws~~ 1994 PA 451, MCL 324.36101 TO 324.36117, shall not
10 exceed the total property tax due and payable by the claimant in
11 that year. The amount by which the credit exceeds the property
12 tax due and payable shall be deducted from the credit claimed
13 under part 361 ~~of Act No. 451 of the Public Acts of 1994.~~
14 (FARMLAND AND OPEN SPACE PRESERVATION) OF THE NATURAL RESOURCES
15 AND ENVIRONMENTAL PROTECTION ACT, 1994 PA 451, MCL 324.36101 TO
16 324.36117.