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House Bill 4008 (Substitute H-3 as passed by the House)

Sponsor: Representative Brian Palmer

House Committee: Tax Policy Senate Committee: Finance

Date Completed: 5-21-03

CONTENT

The bill would amend the Income Tax Act to allow a taxpayer to use certain special assessments paid by the taxpayer in calculating his or her homestead property tax credit.

Under the Act, if a taxpayer qualifies, he or she may claim a credit for the amount of property taxes paid on a homestead that exceeds a certain percentage of the taxpayer's household income. In general, this homestead property tax credit is equal to 60% of the amount by which the taxpayer's property taxes exceed 3.5% of household income. The property taxes included in the calculation are those paid by the taxpayer on a homestead in the State (including a property tax administration fee), but do not include penalties, interest, or special assessments unless they are assessed in the entire city, village, or township and based on State equalized valuation (SEV) or taxable value.

Under the bill, a special assessment could not be included as property tax unless it was levied using a uniform millage rate on all real property not exempt by State law from the levy, was levied and based on SEV or taxable value, and complied with one of the following: 1) was levied in the entire city, village, or township; or 2) for the 2003 tax year and each tax year thereafter, was levied for police, fire, or advanced life support and levied in an entire township excluding all or a portion of a village within the township.

MCL 206.512 Legislative Analyst: George Towne

FISCAL IMPACT

The bill would reduce General Fund/General Purpose and possibly School Aid Fund revenues.

Based upon the special assessments levied in 2001 and information from the Department of Treasury, the bill would reduce revenues by approximately \$0.6 million per year. If this entire amount were claimed through the homestead property tax credit, then the entire impact would fall on the General Fund. To the extent that taxpayers adjusted their withholding and/or estimated payments to reflect a larger tax credit, a portion of the impact would reduce School Aid Fund revenues. It is expected that the overwhelming majority of the bill's impact would affect the General Fund.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.