

SENATE BILL NO. 1275

September 16, 1998, Introduced by Senators MILLER,
DE BEAUSSAERT, PETERS, A. SMITH, YOUNG and HART and referred
to the Committee on Finance.

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), sec-
tion 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 1993
7 tax year. A person who rents or leases a homestead subject to a
8 service charge in lieu of ad valorem taxes as provided by
9 section 15a of the state housing development authority act of
10 1966, ~~Act No. 346 of the Public Acts of 1966, being~~
11 ~~section 125.1415a of the Michigan Compiled Laws~~ 1966 PA 346, MCL
12 125.1415A, may claim a similar credit computed under this section
13 and section 522 based upon 10% of the gross rent paid.

14 (3) If the credit claimed under this section and section 522
15 exceeds the tax liability for the tax year or if there is no tax
16 liability for the tax year, the amount of the claim not used as
17 an offset against the tax liability shall, after examination and
18 review, be approved for payment, without interest, to the
19 claimant. In determining the amount of the payment under this
20 subsection, withholdings and other credits shall be used first to
21 offset any tax liabilities.

22 (4) If the homestead is an integral part of a multipurpose
23 or multidwelling building that is federally aided housing or
24 state aided housing, a claimant who is a senior citizen entitled
25 to a payment under subsection (2) may assign the right to that
26 payment to a mortgagor if the mortgagor reduces the rent charged
27 and collected on the claimant's homestead in an amount equal to

1 the tax credit payment provided in this chapter. The assignment
2 of the claim is valid only if the Michigan state housing develop-
3 ment authority, by affidavit, verifies that the claimant's rent
4 has been so reduced.

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

7 (6) A person who discriminates in the charging or collection
8 of rent on a homestead by increasing the rent charged or col-
9 lected because the renter or lessee claims and receives a credit
10 or payment under this chapter is guilty of a misdemeanor.

11 Discrimination against a renter who claims and receives the
12 credit under this section and section 522 by a reduction of the
13 rent on the homestead of a person who does not claim and receive
14 the credit is a misdemeanor. If discriminatory rents are charged
15 or collected, each charge or collection of the higher or lower
16 payment is a separate offense. Each acceptance of a payment of
17 rent is a separate offense.

18 (7) A person who received ~~aid to families with dependent~~
19 ~~children,~~ state family INDEPENDENCE assistance, ~~or~~ state dis-
20 ability assistance, OR OTHER ONGOING CASH ASSISTANCE pursuant to
21 the social welfare act, ~~Act No. 280 of the Public Acts of 1939,~~
22 ~~as amended, being sections 400.1 to 400.119b of the Michigan~~
23 ~~Compiled Laws~~ 1939 PA 280, MCL 400.1 TO 400.119B, in the tax
24 year for which the person is filing a return shall have a credit
25 that is authorized and computed under this section and
26 section 522 reduced by an amount equal to the product of the
27 claimant's credit multiplied by the quotient of the sum of the

1 claimant's ~~aid to families with dependent children,~~ state
2 family INDEPENDENCE assistance, ~~and~~ state disability
3 assistance, OR OTHER ONGOING CASH ASSISTANCE PURSUANT TO THE
4 SOCIAL WELFARE ACT, 1939 PA 280, MCL 400.1 TO 400.119B, for the
5 tax year divided by the claimant's household income. The reduc-
6 tion of credit shall not exceed the sum of the ~~aid to families~~
7 ~~with dependent children,~~ state family INDEPENDENCE assistance,
8 ~~and~~ state disability assistance, AND OTHER ONGOING CASH ASSIST-
9 ANCE PURSUANT TO THE SOCIAL WELFARE ACT, 1939 PA 280, MCL 400.1
10 TO 400.119B, for the tax year. For the purposes of this subsec-
11 tion, ~~aid to families with dependent children~~ ANY ONGOING CASH
12 ASSISTANCE does not include child support payments that offset or
13 reduce payments made to the claimant.

14 (8) A credit under subsection (1) or (2) shall be reduced by
15 10% for each claimant whose household income exceeds \$73,650.00
16 and by an additional 10% for each increment of \$1,000.00 of
17 household income in excess of \$73,650.00.

18 (9) If the credit authorized and calculated under this sec-
19 tion and section 522 and adjusted under subsection (7) or (8)
20 does not provide to a senior citizen who rents or leases a home-
21 stead that amount attributable to rent that constitutes more than
22 40% of the household income of the senior citizen, the senior
23 citizen may claim a credit based upon the amount of household
24 income attributable to rent as provided by this section.

25 (10) A senior citizen whose gross rent paid for the tax year
26 is more than the percentage of household income specified in
27 subsection (9) for the respective tax year may claim a credit for

1 the amount of rent paid that constitutes more than the percentage
2 of the household income of the senior citizen specified in sub-
3 section (9) and that was not provided to the senior citizen by
4 the credit computed pursuant to this section and section 522 and
5 adjusted pursuant to subsection (7) or (8).

6 (11) The department may promulgate rules to implement sub-
7 sections (9) to ~~(16)~~ (14) and may prescribe a table to allow a
8 claimant to determine the credit provided under this section and
9 section 522 in the instruction booklet that accompanies the
10 respective income tax or property tax credit forms used by
11 claimants.

12 (12) A senior citizen may claim the credit under subsections
13 (9) to ~~(16)~~ (14) on the same form as the property tax credit
14 permitted by subsection (2). The department shall adjust the
15 forms accordingly.

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

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

1 (15) The Michigan state housing development authority shall
2 report on the effect of the credit provided by subsections (9) to
3 ~~(16)~~ (14) on the price of rented and leased homesteads. If the
4 authority determines that the price of rented and leased home-
5 steads has increased as a result of the credit provided by sub-
6 sections (9) to ~~(16)~~ (14), the authority shall make recommenda-
7 tions to the legislature to remedy this situation. The report
8 shall be made to the chairpersons of the house and senate commit-
9 tees that have primary responsibility for taxation legislation 2
10 years after the credit provided by subsections (9) to ~~(16)~~ (14)
11 is in effect.

12 (16) The total credit allowed by this section and section
13 522 shall not exceed \$1,200.00 ~~per year~~ FOR TAX YEARS BEFORE
14 THE 1997 TAX YEAR. FOR THE 1997 TAX YEAR AND EACH TAX YEAR AFTER
15 THE 1997 TAX YEAR, THE MAXIMUM CREDIT ALLOWED BY THIS SUBSECTION
16 SHALL BE ADJUSTED TO REFLECT THE ANNUAL AVERAGE PERCENTAGE
17 INCREASE IN THE DETROIT CONSUMER PRICE INDEX IN THE IMMEDIATELY
18 PRECEDING TAX YEAR. AS USED IN THIS SUBDIVISION, "DETROIT CON-
19 SUMER PRICE INDEX" MEANS THE MOST COMPREHENSIVE INDEX OF CONSUMER
20 PRICES AVAILABLE FOR THE DETROIT AREA FROM THE UNITED STATES
21 DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

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

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

1 homestead for the ~~taxable~~ TAX year, exceeds 3.5% of the
 2 claimant's household income for that ~~taxable~~ TAX year.

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

14

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

21 (c) A claimant who is totally and permanently disabled is
 22 entitled to a credit against the state income tax liability equal
 23 to 60% of the amount by which the property taxes on the home-
 24 stead, or the credit for rental of the homestead or for a service
 25 charge in lieu of ad valorem taxes as provided in section 15a of
 26 ~~Act No. 346 of the Public Acts of 1966~~ THE STATE HOUSING
 27 DEVELOPMENT AUTHORITY ACT OF 1966, 1966 PA 346, MCL 125.1415A,

1 for the ~~taxable~~ TAX year, exceeds the percentage of the
2 claimant's household income for that ~~taxable~~ TAX year based on
3 the schedule in subdivision (b).

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

9 (i) Divide the ~~state-equalized~~ TAXABLE value allowance
10 specified in section 506 by the ~~state-equalized~~ TAXABLE value
11 of the homestead or, if the eligible serviceperson, eligible vet-
12 eran, or eligible widow or widower leases or rents a homestead,
13 divide 17% of the total annual rent paid for tax years before the
14 1994 tax year, or 20% of the total annual rent paid for tax years
15 after the 1993 tax year on the property by the property tax rate
16 on the property.

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

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

23 (i) If the ~~state-equalized~~ TAXABLE value of the homestead
24 is \$3,500.00 or less, 100% of the property taxes.

25 (ii) If the ~~state-equalized~~ TAXABLE value of the homestead
26 is more than \$3,500.00, the percentage that \$3,500.00 bears to
27 the ~~state-equalized~~ TAXABLE value of the homestead.

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

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

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

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

18 (a) If the ~~state equalized~~ TAXABLE value of the homestead
19 is \$2,500.00 or less, 100% of the property taxes.

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

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

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

1 (8) The total credit allowed in this section ~~for each year~~
2 ~~after December 31, 1975~~ shall not exceed \$1,200.00 per year AS
3 ADJUSTED UNDER SECTION 520(16).

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