

# HOUSE BILL No. 4070

January 27, 2005, Introduced by Rep. Vagnozzi 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 2000 PA 41.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

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

1 zero bracket amount or if the claimant had been subject to the  
2 federal income tax. The property taxes used for the credit  
3 computation shall not be greater than the amount levied for 1 tax  
4 year.

5 (2) A person who rents or leases a homestead may claim a  
6 similar credit computed under this section and section 522 based  
7 upon 17% of the gross rent paid for tax years before the 1994 tax  
8 year, or 20% of the gross rent paid for tax years after the 1993  
9 tax year. A person who rents or leases a homestead subject to a  
10 service charge in lieu of ad valorem taxes as provided by section  
11 15a of the state housing development authority act of 1966, ~~Act~~  
12 ~~No. 346 of the Public Acts of 1966, being section 125.1415a of~~  
13 ~~the Michigan Compiled Laws~~ **1966 PA 346, MCL 125.1415A**, may claim  
14 a similar credit computed under this section and section 522  
15 based upon 10% of the gross rent paid.

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

24 (4) If the homestead is an integral part of a multipurpose  
25 or multidwelling building that is federally aided housing or  
26 state aided housing, a claimant who is a senior citizen entitled  
27 to a payment under subsection (2) may assign the right to that

1 payment to a mortgagor if the mortgagor reduces the rent charged  
2 and collected on the claimant's homestead in an amount equal to  
3 the tax credit payment provided in this chapter. The assignment  
4 of the claim is valid only if the Michigan state housing  
5 development authority, by affidavit, verifies that the claimant's  
6 rent has been so reduced.

7 (5) Only the renter or lessee shall claim a credit on  
8 property that is rented or leased as a homestead.

9 (6) A person who discriminates in the charging or collection  
10 of rent on a homestead by increasing the rent charged or  
11 collected because the renter or lessee claims and receives a  
12 credit or payment under this chapter is guilty of a misdemeanor.  
13 Discrimination against a renter who claims and receives the  
14 credit under this section and section 522 by a reduction of the  
15 rent on the homestead of a person who does not claim and receive  
16 the credit is a misdemeanor. If discriminatory rents are charged  
17 or collected, each charge or collection of the higher or lower  
18 payment is a separate offense. Each acceptance of a payment of  
19 rent is a separate offense.

20 (7) A person who received ~~aid to families with dependent~~  
21 ~~children, state family assistance, or state disability~~  
22 assistance **THROUGH FAMILY INDEPENDENCE PROGRAMS** pursuant to the  
23 social welfare act, ~~Act No. 280 of the Public Acts of 1939, as~~  
24 ~~amended, being sections 400.1 to 400.119b of the Michigan~~  
25 ~~Compiled Laws~~ **1939 PA 280, MCL 400.1 TO 400.119B**, in the tax  
26 year for which the person is filing a return shall have a credit  
27 that is authorized and computed under this section and section

1 522 reduced by an amount equal to the product of the claimant's  
2 credit multiplied by the quotient of the sum of the claimant's  
3 ~~aid to families with dependent children, state family assistance,~~  
4 ~~and state disability~~ assistance **THROUGH FAMILY INDEPENDENCE**  
5 **PROGRAMS PURSUANT TO THE SOCIAL WELFARE ACT, 1939 PA 280, MCL**  
6 **400.1 TO 400.119B**, for the tax year divided by the claimant's  
7 household income. The reduction of credit shall not exceed the  
8 sum of the ~~aid to families with dependent children, state family~~  
9 ~~assistance, and state disability~~ assistance **THROUGH FAMILY**  
10 **INDEPENDENCE PROGRAMS PURSUANT TO THE SOCIAL WELFARE ACT, 1939 PA**  
11 **280, MCL 400.1 TO 400.119B**, for the tax year. For the purposes of  
12 this subsection, ~~aid to families with dependent children~~ **ANY**  
13 **ASSISTANCE THROUGH FAMILY INDEPENDENCE PROGRAMS** does not include  
14 child support payments that offset or reduce payments made to the  
15 claimant.

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

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

1           (10) A senior citizen whose gross rent paid for the tax year  
2 is more than the percentage of household income specified in  
3 subsection (9) for the respective tax year may claim a credit for  
4 the amount of rent paid that constitutes more than the percentage  
5 of the household income of the senior citizen specified in  
6 subsection (9) and that was not provided to the senior citizen by  
7 the credit computed pursuant to this section and section 522 and  
8 adjusted pursuant to subsection (7) or (8).

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

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

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

27           (14) For a return of less than 12 months, the claim for a

1 credit under subsections (9) to ~~(16)~~ (14) shall be reduced  
2 proportionately.

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

14 (16) The total credit allowed by this section and section  
15 522 shall not exceed \$1,200.00 ~~per year~~ **FOR TAX YEARS THAT**  
16 **BEGIN BEFORE JANUARY 1, 2005 AND \$1,500.00 FOR TAX YEARS THAT**  
17 **BEGIN AFTER DECEMBER 31, 2004.**

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

20 (a) A claimant is entitled to a credit against the state  
21 income tax liability equal to 60% of the amount by which the  
22 property taxes on the homestead, or the credit for rental of the  
23 homestead for the tax year, exceeds 3.5% of the claimant's  
24 household income for that tax year.

25 (b) A claimant who is a senior citizen or a paraplegic,  
26 hemiplegic, or quadriplegic and for tax years that begin after  
27 December 31, 1999, a claimant who is totally and permanently

1 disabled or deaf is entitled to a credit against the state income  
 2 tax liability for the amount by which the property taxes on the  
 3 homestead, the credit for rental of the homestead, or a service  
 4 charge in lieu of ad valorem taxes as provided by section 15a of  
 5 the state housing development authority act of 1966, 1966 PA 346,  
 6 MCL 125.1415a, for the tax year exceeds the percentage of the  
 7 claimant's household income for that tax year computed as  
 8 follows:

9	Household income	Percentage
10	Not over \$3,000.00	.0%
11	Over \$3,000.00 but not over \$4,000.00	1.0%
12	Over \$4,000.00 but not over \$5,000.00	2.0%
13	Over \$5,000.00 but not over \$6,000.00	3.0%
14	Over \$6,000.00	3.5%

15 (c) For a tax year that begins before January 1, 2000, a  
 16 claimant who is totally and permanently disabled is entitled to a  
 17 credit against the state income tax liability equal to 60% of the  
 18 amount by which the property taxes on the homestead, or the  
 19 credit for rental of the homestead or for a service charge in  
 20 lieu of ad valorem taxes as provided in section 15a of the state  
 21 housing development authority act of 1966, 1966 PA 346, MCL  
 22 125.1415a, for the tax year, exceeds the percentage of the  
 23 claimant's household income for that tax year based on the  
 24 schedule in subdivision (b).

25 (d) A claimant who is an eligible serviceperson, eligible  
 26 veteran, or eligible widow or widower is entitled to a credit

1 against the state income tax liability for a percentage of the  
2 property taxes on the homestead for the tax year not in excess of  
3 100% determined as follows:

4 (i) Divide the taxable value allowance specified in section  
5 506 by the taxable value of the homestead or, if the eligible  
6 serviceperson, eligible veteran, or eligible widow or widower  
7 leases or rents a homestead, divide 17% of the total annual rent  
8 paid for tax years before the 1994 tax year, or 20% of the total  
9 annual rent paid for tax years after the 1993 tax year on the  
10 property by the property tax rate on the property.

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

13 (e) A claimant who is blind is entitled to a credit against  
14 the state income tax liability for a percentage of the property  
15 taxes on the homestead for the tax year determined as follows:

16 (i) If the taxable value of the homestead is \$3,500.00 or  
17 less, 100% of the property taxes.

18 (ii) If the taxable value of the homestead is more than  
19 \$3,500.00, the percentage that \$3,500.00 bears to the taxable  
20 value of the homestead.

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

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

27 (4) As used in this section, "totally and permanently



1 disabled" means disability as defined in section 216 of title II  
2 of the social security act, 42 ~~U.S.C.~~ **USC** 416.

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

10 (a) If the taxable value of the homestead is \$2,500.00 or  
11 less, 100% of the property taxes.

12 (b) If the taxable value of the homestead is more than  
13 \$2,500.00, the percentage that \$2,500.00 bears to the taxable  
14 value of the homestead.

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

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

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

21 **THE AMOUNT DETERMINED UNDER SECTION 520.**

22 (9) The total credit allowable under this act and part 361  
23 of the natural resources and environmental protection act, 1994  
24 PA 451, MCL 324.36101 to 324.36117, shall not exceed the total  
25 property tax due and payable by the claimant in that year. The  
26 amount by which the credit exceeds the property tax due and  
27 payable shall be deducted from the credit claimed under part 361

- 1 of the natural resources and environmental protection act, 1994
- 2 PA 451, MCL 324.36101 to 324.36117.