

**SUBSTITUTE FOR
SENATE BILL NO. 790**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 520 (MCL 206.520), as amended by 1995 PA 245.

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 would
6 have been deductible if the claimant had not elected the zero
7 bracket amount or if the claimant had been subject to the federal
8 income tax. The property taxes used for the credit computation
9 shall not be greater than the amount levied for 1 tax year.

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

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

20 (4) If the homestead is an integral part of a multipurpose or
21 multidwelling building that is federally aided housing or state
22 aided housing, a claimant who is a senior citizen entitled to a
23 payment under subsection (2) may assign the right to that payment
24 to a mortgagor if the mortgagor reduces the rent charged and
25 collected on the claimant's homestead in an amount equal to the tax
26 credit payment provided in this chapter. The assignment of the
27 claim is valid only if the Michigan state housing development

1 authority, by affidavit, verifies that the claimant's rent has been
2 so reduced.

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

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

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

1 PROGRAMS PURSUANT TO THE SOCIAL WELFARE ACT, 1939 PA 280, MCL 400.1
2 TO 400.119B, for the tax year divided by the claimant's household
3 income. The reduction of credit shall not exceed the sum of the aid
4 ~~to families with dependent children, state family assistance, and~~
5 ~~state disability assistance~~ THROUGH DEPARTMENT OF HUMAN SERVICES
6 PROGRAMS PURSUANT TO THE SOCIAL WELFARE ACT, 1939 PA 280, MCL 400.1
7 TO 400.119B, for the tax year. For the purposes of this subsection,
8 ~~aid to families with dependent children~~ ANY ASSISTANCE THROUGH
9 DEPARTMENT OF HUMAN SERVICES PROGRAMS does not include child
10 support payments that offset or reduce payments made to the
11 claimant.

12 (8) ~~A~~ FOR TAX YEARS THAT BEGIN BEFORE JANUARY 1, 2008, A
13 credit under subsection (1) or (2) shall be reduced by 10% for each
14 claimant whose household income exceeds \$73,650.00 and by an
15 additional 10% for each increment of \$1,000.00 of household income
16 in excess of \$73,650.00. FOR TAX YEARS THAT BEGIN ON OR AFTER
17 JANUARY 1, 2008, A CREDIT UNDER SUBSECTION (1) OR (2) SHALL BE
18 REDUCED BY 10% FOR EACH CLAIMANT WHOSE HOUSEHOLD INCOME EXCEEDS
19 \$83,650.00 AND BY AN ADDITIONAL 10% FOR EACH INCREMENT OF \$1,000.00
20 OF HOUSEHOLD INCOME IN EXCESS OF \$83,650.00.

21 (9) If the credit authorized and calculated under this section
22 and section 522 and adjusted under subsection (7) or (8) does not
23 provide to a senior citizen who rents or leases a homestead that
24 amount attributable to rent that constitutes more than 40% of the
25 household income of the senior citizen, the senior citizen may
26 claim a credit based upon the amount of household income
27 attributable to rent as provided by this 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 a
11 claimant to determine the credit provided under this section and
12 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 forms
18 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 (9)
23 to ~~(16)~~-(14) on the basis of the annualized final monthly rental
24 payment at his or her previous homestead, if this annualized rental
25 is less than the senior citizen's actual annual rental payments.

26 (14) For a return of less than 12 months, the claim for a
27 credit under subsections (9) to ~~(16)~~-(13) shall be reduced

1 proportionately.

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

12 (16) The total credit allowed by this section and section 522
13 shall not exceed \$1,200.00 ~~per year~~**FOR TAX YEARS THAT BEGIN BEFORE**
14 **JANUARY 1, 2008 AND \$1,300.00 FOR TAX YEARS THAT BEGIN AFTER**
15 **DECEMBER 31, 2007.**