

SENATE BILL No. 1402

June 19, 2008, Introduced by Senator CASSIS and referred to the Committee on Finance.

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
(MCL 206.1 to 206.532) by adding section 277.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 277. (1) FOR THE 2008 TAX YEAR AND EACH TAX YEAR AFTER
2 2008, EXCEPT AS OTHERWISE PROVIDED UNDER SUBSECTION (2), A TAXPAYER
3 MAY CLAIM A CREDIT AGAINST THE TAX IMPOSED BY THIS ACT EQUAL TO THE
4 AMOUNT OF QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS THAT WAS
5 DISCHARGED UPON THE SALE OF THE TAXPAYER'S PRINCIPAL RESIDENCE
6 DURING THE TAX YEAR OR \$10,000.00, WHICHEVER IS LESS.

7 (2) THE CREDIT UNDER SUBSECTION (1) DOES NOT APPLY TO THE
8 DISCHARGE OF A LOAN IF THE DISCHARGE IS ON ACCOUNT OF SERVICES
9 PERFORMED FOR THE LENDER OR ANY OTHER FACTOR NOT DIRECTLY RELATED
10 TO A DECLINE IN THE VALUE OF THE RESIDENCE OR TO THE FINANCIAL

1 CONDITION OF THE TAXPAYER.

2 (3) IF THE CREDIT ALLOWED BY THIS SECTION EXCEEDS THE TAX
3 LIABILITY OF THE TAXPAYER FOR THE TAX YEAR, THAT PORTION OF THE
4 CREDIT THAT EXCEEDS THE TAX LIABILITY SHALL NOT BE REFUNDED.

5 (4) AS USED IN THIS SECTION:

6 (A) "PRINCIPAL RESIDENCE" MEANS THAT TERM AS DEFINED UNDER
7 SECTION 7DD OF THE GENERAL PROPERTY TAX ACT, 1893 PA 206, MCL
8 211.7DD, AND FOR WHICH AN EXEMPTION IS GRANTED UNDER SECTION 7CC OF
9 THE GENERAL PROPERTY TAX ACT, 1893 PA 206, MCL 211.7CC.

10 (B) "QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS" MEANS ANY
11 INDEBTEDNESS THAT IS INCURRED IN ACQUIRING, CONSTRUCTING, OR
12 SUBSTANTIALLY IMPROVING A PRINCIPAL RESIDENCE OF THE TAXPAYER AND
13 THAT IS SECURED BY THE PRINCIPAL RESIDENCE. QUALIFIED PRINCIPAL
14 RESIDENCE INDEBTEDNESS INCLUDES ANY INDEBTEDNESS SECURED BY THE
15 PRINCIPAL RESIDENCE RESULTING FROM THE REFINANCING OF INDEBTEDNESS,
16 BUT ONLY TO THE EXTENT THAT THE AMOUNT OF THE INDEBTEDNESS
17 RESULTING FROM THE REFINANCING DOES NOT EXCEED THE AMOUNT OF THE
18 ORIGINAL INDEBTEDNESS.