

# SENATE BILL No. 191

February 4, 2009, Introduced by Senator CASSIS 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),  
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  
7 zero bracket amount or if the claimant had been subject to the  
8 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 section  
9 15a of the state housing development authority act of 1966, ~~Act~~  
10 ~~No. 346 of the Public Acts of 1966, being section 125.1415a of~~  
11 ~~the Michigan Compiled Laws 1966 PA 346, MCL 125.1415A,~~ may claim  
12 a similar credit computed under this section and section 522  
13 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  
3 development authority, by affidavit, verifies that the claimant's  
4 rent has been so reduced.

5 (5) Only the renter or lessee shall claim a credit on  
6 property 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  
9 collected because the renter or lessee claims and receives a  
10 credit 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 assistance, or state disability assistance~~  
20 **THROUGH DEPARTMENT OF HUMAN SERVICES PROGRAMS** pursuant to the  
21 social welfare act, ~~Act No. 280 of the Public Acts of 1939, as~~  
22 ~~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 year  
24 for which the person is filing a return shall have a credit that  
25 is authorized and computed under this section and section 522  
26 reduced by an amount equal to the product of the claimant's  
27 credit multiplied by the quotient of the sum of the claimant's

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

14 (8) ~~A~~ **FOR TAX YEARS THAT BEGIN BEFORE JANUARY 1, 2009, A**  
 15 credit under subsection (1) or (2) shall be reduced by 10% for  
 16 each claimant whose household income exceeds \$73,650.00 and by an  
 17 additional 10% for each increment of \$1,000.00 of household  
 18 income in excess of \$73,650.00. **FOR TAX YEARS THAT BEGIN ON OR**  
 19 **AFTER JANUARY 1, 2009, A CREDIT UNDER SUBSECTION (1) OR (2) SHALL**  
 20 **BE REDUCED BY 10% FOR EACH CLAIMANT WHOSE HOUSEHOLD INCOME**  
 21 **EXCEEDS \$83,650.00 AND BY AN ADDITIONAL 10% FOR EACH INCREMENT OF**  
 22 **\$1,000.00 OF HOUSEHOLD INCOME IN EXCESS OF \$83,650.00.**

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

1 senior citizen may claim a credit based upon the amount of  
2 household income attributable to rent as provided by this  
3 section.

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

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

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

22 (13) A senior citizen who moves to a different rented or  
23 leased homestead shall determine, for 2 tax years after the move,  
24 both his or her qualification to claim a credit under subsections  
25 (9) to ~~(16)~~-(14) and the amount of a credit under subsections (9)  
26 to ~~(16)~~-(14) on the basis of the annualized final monthly rental  
27 payment at his or her previous homestead, if this annualized

1 rental is less than the senior citizen's actual annual rental  
2 payments.

3 (14) For a return of less than 12 months, the claim for a  
4 credit under subsections (9) to ~~(16)~~(13) shall be reduced  
5 proportionately.

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

17 (16) The total credit allowed by this section and section  
18 522 shall not exceed \$1,200.00 ~~per year~~**FOR TAX YEARS THAT BEGIN**  
19 **BEFORE JANUARY 1, 2009 AND \$1,300.00 FOR TAX YEARS THAT BEGIN**  
20 **AFTER DECEMBER 31, 2008.**

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

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

1 (b) A claimant who is a senior citizen or a paraplegic,  
 2 hemiplegic, or quadriplegic and for tax years that begin after  
 3 December 31, 1999, a claimant who is totally and permanently  
 4 disabled or deaf is entitled to a credit against the state income  
 5 tax liability for the amount by which the property taxes on the  
 6 homestead, the credit for rental of the homestead, or a service  
 7 charge in lieu of ad valorem taxes as provided by section 15a of  
 8 the state housing development authority act of 1966, 1966 PA 346,  
 9 MCL 125.1415a, for the tax year exceeds the percentage of the  
 10 claimant's household income for that tax year computed as  
 11 follows:

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

18 (c) For a tax year that begins before January 1, 2000, a  
 19 claimant who is totally and permanently disabled is entitled to a  
 20 credit against the state income tax liability equal to 60% of the  
 21 amount by which the property taxes on the homestead, or the  
 22 credit for rental of the homestead or for a service charge in  
 23 lieu of ad valorem taxes as provided in section 15a of the state  
 24 housing development authority act of 1966, 1966 PA 346, MCL  
 25 125.1415a, for the tax year, exceeds the percentage of the  
 26 claimant's household income for that tax year based on the

1 schedule in subdivision (b).

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

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

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

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

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

21 (ii) If the taxable value of the homestead is more than  
22 \$3,500.00, the percentage that \$3,500.00 bears to the taxable  
23 value of the homestead.

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

27 (3) Only 1 claimant per household for a tax year is entitled



1 to the credit, unless both the husband and wife filing a joint  
2 return are blind, then each shall be considered a claimant.

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

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

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

15 (b) If the taxable value of the homestead is more than  
16 \$2,500.00, the percentage that \$2,500.00 bears to the taxable  
17 value of the homestead.

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

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

22 (8) The total credit allowed in this section for each year  
23 ~~after December 31, 1975 shall not exceed \$1,200.00 per year~~ **THE**  
24 **AMOUNT DETERMINED UNDER SECTION 520.**

25 (9) The total credit allowable under this act and part 361  
26 of the natural resources and environmental protection act, 1994  
27 PA 451, MCL 324.36101 to 324.36117, shall not exceed the total

1 property tax due and payable by the claimant in that year. The  
2 amount by which the credit exceeds the property tax due and  
3 payable shall be deducted from the credit claimed under part 361  
4 of the natural resources and environmental protection act, 1994  
5 PA 451, MCL 324.36101 to 324.36117.