



# HOUSE BILL No. 4699

May 4, 1993, Introduced by Rep. Willard and referred to the Committee on Taxation.

A bill to amend sections 514, 520, and 522 of Act No. 281 of the Public Acts of 1967, entitled

"Income tax act of 1967,"

sections 514 and 522 as amended by Act No. 254 of the Public Acts of 1987 and section 520 as amended by Act No. 293 of the Public Acts of 1992, being sections 206.514, 206.520, and 206.522 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 514, 520, and 522 of Act No. 281 of the  
2 Public Acts of 1967, sections 514 and 522 as amended by Act  
3 No. 254 of the Public Acts of 1987 and section 520 as amended by  
4 Act No. 293 of the Public Acts of 1992, being sections 206.514,  
5 206.520, and 206.522 of the Michigan Compiled Laws, are amended  
6 to read as follows:

1       Sec. 514. (1) "Senior citizen" means FOR TAX YEARS BEFORE  
2 THE 1993 TAX YEAR an individual, or either 1 of 2 persons filing  
3 a joint tax return under this act, who is 65 years of age or  
4 older at the close of the tax year ~~—The term also—~~ AND  
5 includes the unremarried surviving spouse of a person who was 65  
6 years of age or older at the time of death. "SENIOR CITIZEN"  
7 MEANS FOR THE 1993 TAX YEAR AND EACH TAX YEAR AFTER THE 1993 TAX  
8 YEAR AN INDIVIDUAL, OR EITHER 1 OF 2 PERSONS FILING A JOINT TAX  
9 RETURN UNDER THIS ACT, WHO IS 63 YEARS OF AGE OR OLDER AT THE  
10 CLOSE OF THE TAX YEAR AND INCLUDES THE UNREMARIED SURVIVING  
11 SPOUSE OF A PERSON WHO WAS 65 YEARS OF AGE OR OLDER AT THE TIME  
12 OF DEATH.

13       (2) "Serviceperson" means a person who is currently serving  
14 in the armed forces of the United States or is separated from the  
15 armed forces for less than a year, and who was a resident of this  
16 state at least 6 months prior to the time of entering the armed  
17 forces or was a resident of this state at least 5 years prior to  
18 filing a claim under this chapter.

19       (3) "State income tax" or "state income tax act" means the  
20 tax levied by this act.

21       Sec. 520. (1) Subject to the limitations and the defini-  
22 tions set out in this chapter, a claimant may claim against ~~his~~  
23 ~~or her state income~~ THE tax ~~otherwise~~ LIABILITY due UNDER THIS  
24 ACT for the tax year a credit for the property taxes on the  
25 TAXPAYER'S homestead deductible for federal income ~~taxes~~ TAX  
26 PURPOSES pursuant to section 164 of the internal revenue code, or  
27 that would have been deductible if the claimant had not elected

1 the zero bracket amount or if the claimant had been subject to  
2 the 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 ~~is renting or leasing~~ RENTS OR LEASES a  
6 homestead may claim a similar credit ~~—~~ computed pursuant to  
7 THIS SECTION AND section 522 ~~, that shall be~~ based upon 17% of  
8 the gross rent paid. A person ~~renting or leasing~~ WHO RENTS OR  
9 LEASES a homestead subject to a service charge in lieu of ad  
10 valorem taxes as provided by section 15a of the state housing  
11 development authority act of 1966, Act No. 346 of the Public Acts  
12 of 1966, as amended, being section 125.1415a of the Michigan  
13 Compiled Laws, may claim a similar credit ~~—~~ computed pursuant  
14 to THIS SECTION AND section 522 ~~, that shall be~~ based upon 10%  
15 of the gross rent paid.

16 (3) If ~~the allowable amount of~~ the credit claimed ~~under~~  
17 PURSUANT TO this section AND SECTION 522 exceeds the ~~state~~  
18 ~~income~~ tax ~~otherwise due~~ LIABILITY OF THE TAXPAYER for the tax  
19 year or if there is no ~~state income~~ tax ~~due~~ LIABILITY for the  
20 tax year, the amount of the claim not used as an offset against  
21 the ~~state income~~ tax LIABILITY shall, after examination and  
22 review, be approved for payment, without interest, to the  
23 claimant. A payment approved pursuant to this subsection to a  
24 claimant eligible for a credit under subsection (1) shall be made  
25 in a check or warrant exclusive of refunds due for withholdings  
26 or other credits allowed by this act. In determining the amount

1 of this check or warrant, withholdings and other credits shall be  
2 used first to offset any tax liabilities.

3 (4) If the homestead is an integral part of a multipurpose  
4 or multidwelling building that is federally aided housing or  
5 state aided housing, a claimant who is a senior citizen entitled  
6 to a payment under subsection (2) may assign the right to that  
7 payment to a mortgagor ~~who~~ IF THE MORTGAGOR reduces the rent  
8 charged and collected on the claimant's homestead in an amount  
9 equal to the tax credit payment provided in this chapter. The  
10 assignment of the claim ~~shall be~~ IS valid only if the Michigan  
11 state housing development authority, by affidavit, verifies that  
12 the claimant's rent has been so reduced.

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

15 (6) A person who discriminates in the charging or collection  
16 of rent on a homestead by increasing the rent charged or col-  
17 lected because the renter or lessee ~~is claiming and receiving~~  
18 CLAIMS AND RECEIVES a credit or payment under this chapter is  
19 guilty of a misdemeanor. Discrimination against a renter  
20 ~~claiming and receiving~~ WHO CLAIMS AND RECEIVES the credit UNDER  
21 THIS SECTION by A reduction of THE rent on the homestead of a  
22 person WHO DOES not ~~claiming or receiving~~ CLAIM AND RECEIVE the  
23 credit is a misdemeanor. If discriminatory rents are charged or  
24 collected, each charge ~~and~~ OR collection of ~~both~~ the higher  
25 ~~and~~ OR lower payment is a separate offense. Each acceptance of  
26 a payment of rent is a separate offense.

1 (7) A person who received aid to families with dependent  
2 children, state family assistance, or state disability assistance  
3 pursuant to the social welfare act, Act No. 280 of the Public  
4 Acts of 1939, as amended, being sections 400.1 to 400.119b of  
5 the Michigan Compiled Laws, in the tax year for which the person  
6 is filing a return shall have a credit that is authorized AND  
7 COMPUTED pursuant to this section and ~~computed pursuant to~~  
8 section 522 reduced by an amount equal to the product of the  
9 claimant's credit ~~, as computed pursuant to section 522,~~ multi-  
10 plied by the quotient of the sum of the claimant's aid to fami-  
11 lies with dependent children, state family assistance, and state  
12 disability assistance for the tax year divided by the claimant's  
13 household income. The reduction of credit shall not exceed the  
14 sum of the aid to families with dependent children, state family  
15 assistance, and state disability assistance for the tax year.  
16 For the purposes of this subsection, aid to families with depen-  
17 dent children does not include child support payments that offset  
18 or reduce payments made to the claimant. This subsection applies  
19 only to the 1980 through the 1994 tax years.

20 (8) ~~For tax years commencing after December 31, 1984, a~~ A  
21 credit under ~~subsection (1) or (2)~~ THIS SECTION AND SECTION 522  
22 shall be reduced by 10% for each claimant whose household income  
23 exceeds \$73,650.00 and by an additional 10% for each increment of  
24 \$1,000.00 of household income in excess of \$73,650.00.

25 (9) If the credit permitted ~~by subsection (2), that is~~ AND  
26 calculated pursuant to THIS SECTION AND section 522 and adjusted  
27 pursuant to subsection (7) or (8), does not provide to a senior

1 citizen who ~~is renting or leasing~~ RENTS OR LEASES a homestead  
 2 that amount attributable to rent that constitutes more than the  
 3 following percentage of the household income of the senior citi-  
 4 zen, the senior citizen may claim a credit based upon the amount  
 5 of household income attributable to rent as provided by this sec-  
 6 tion, subject to the FOLLOWING limitations: ~~of this section.~~

7 (a) 50% for a credit claimed for the 1982 tax year.

8 (b) 45% for a credit claimed for the 1983 tax year.

9 (c) 40% for a credit claimed for the 1984 tax year or a tax  
 10 year after the 1984 tax year.

11 (10) ~~For tax years commencing after December 31, 1981, a~~ A  
 12 senior citizen whose gross rent paid for the tax year is more  
 13 than the percentage of household income specified in subsection  
 14 (9) for the respective tax year may claim a credit for the amount  
 15 of rent paid that constitutes more than the percentage of the  
 16 household income of the senior citizen specified in subsection  
 17 (9) for the respective tax year and that was not provided to the  
 18 senior citizen by the credit computed pursuant to THIS SECTION  
 19 AND section 522 and adjusted pursuant to subsection (7) or (8).

20 (11) The department may promulgate rules to implement sub-  
 21 sections (9) to (16) and may prescribe a table to allow a claim-  
 22 ant to determine the credit provided under ~~subsections (9) to~~  
 23 ~~(16) and~~ THIS SECTION AND section 522 in the instruction booklet  
 24 that accompanies the respective income tax or property tax credit  
 25 forms used by claimants.

26 (12) A senior citizen may claim the credit under subsections  
 27 (9) to (16) on the same form as the property tax credit permitted

1 by subsection (2). The department shall adjust the forms  
2 accordingly.

3 (13) A senior citizen who ~~, after December 31, 1981,~~ moves  
4 to a different rented or leased homestead shall determine, for 2  
5 tax years after the move, both his or her qualification to claim  
6 a credit under subsections (9) to (16) and the amount of a credit  
7 under subsections (9) to (16) on the basis of the annualized  
8 final monthly rental payment at his or her previous homestead, if  
9 this annualized rental is less than the senior citizen's actual  
10 annual rental payments.

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

14 (15) The Michigan state housing development authority shall  
15 report on the effect of the credit provided by subsections (9) to  
16 (16) on the price of rented and leased homesteads. If the  
17 authority determines that the price of rented and leased home-  
18 steads has increased as a result of the credit provided by sub-  
19 sections (9) to (16), the authority shall make recommendations to  
20 the legislature to remedy this situation. The report shall be  
21 made to the chairpersons of the house and senate committees that  
22 have primary responsibility for taxation legislation 2 years  
23 after the credit provided by subsections (9) to (16) is in  
24 effect.

25 (16) The total credit allowed by ~~subsections (9) to (15)~~  
26 THIS SECTION and section 522 shall not exceed ~~-\$1,200.00 per~~  
27 ~~year~~ THE AMOUNT DETERMINED PURSUANT TO SECTION 522(8).

1 (17) Subsection (8) does not apply for any tax year to which  
2 subsection (7) does not apply.

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

5 (a) ~~A~~ FOR TAX YEARS BEFORE THE 1993 TAX YEAR, A claimant  
6 ~~, other than a senior citizen, a paraplegic or quadriplegic, a~~  
7 ~~totally and permanently disabled person, an eligible serviceper-~~  
8 ~~son, an eligible veteran, an eligible widow or widower, or a~~  
9 ~~blind person,~~ is entitled to a credit against the state income  
10 tax liability equal to 60% of the amount by which the property  
11 taxes on the homestead, or the credit for rental of the homestead  
12 for the taxable year, exceeds 3.5% of the claimant's ~~total~~  
13 household income for that taxable year. FOR THE 1993 TAX YEAR  
14 AND EACH TAX YEAR AFTER THE 1993 TAX YEAR, A CLAIMANT IS ENTITLED  
15 TO A CREDIT AGAINST THE STATE INCOME TAX LIABILITY EQUAL TO 60%  
16 OF THE AMOUNT BY WHICH THE PROPERTY TAXES ON THE HOMESTEAD, OR  
17 THE CREDIT FOR RENTAL OF THE HOMESTEAD FOR THE TAXABLE YEAR,  
18 EXCEEDS 3.0% OF THE CLAIMANT'S HOUSEHOLD INCOME FOR THAT TAXABLE  
19 YEAR.

20 (b) A CLAIMANT WHO IS A senior citizen or a paraplegic or  
21 quadriplegic is entitled to a credit against the state income tax  
22 liability for the amount by which the property taxes on the home-  
23 stead, the credit for rental of the homestead, or a service  
24 charge in lieu of ad valorem taxes as provided by section 15a of  
25 the state housing development authority act of 1966, Act No. 346  
26 of the Public Acts of 1966, as amended, being section 125.1415a  
27 of the Michigan Compiled Laws, for the taxable year exceeds the

1 percentage of the claimant's ~~total~~ household income for that  
 2 taxable year computed FOR THE APPROPRIATE TAX YEAR as follows:

3 (i) FOR TAX YEARS BEFORE THE 1993 TAX YEAR:

4	Household income	Percentage
5	Not over \$3,000.00	.0%
6	Over \$3,000.00 but not over \$4,000.00	1.0%
7	Over \$4,000.00 but not over \$5,000.00	2.0%
8	Over \$5,000.00 but not over \$6,000.00	3.0%
9	Over \$6,000.00	3.5%

10 (ii) FOR THE 1993 TAX YEAR AND EACH TAX YEAR AFTER THE 1993  
 11 TAX YEAR:

12	HOUSEHOLD INCOME	PERCENTAGE
13	NOT OVER \$9,000.00	.0%
14	OVER \$9,000.00 BUT NOT OVER \$12,000.00	1.0%
15	OVER \$12,000.00 BUT NOT OVER \$15,000.00	2.0%
16	OVER \$15,000.00 BUT NOT OVER \$18,000.00	2.5%
17	OVER \$18,000.00	3.0%

18 (c) A CLAIMANT WHO IS totally and permanently disabled  
 19 ~~person~~ is entitled to a credit against the state income tax  
 20 liability equal to 60% of the amount by which the property taxes  
 21 on the homestead, or the credit for rental of the homestead or  
 22 for a service charge in lieu of ad valorem taxes as provided in  
 23 section 15a of the state housing development authority act of  
 24 1966, ~~being section 125.1415a of the Michigan Compiled Laws~~ ACT  
 25 NO. 346 OF THE PUBLIC ACTS OF 1966, for the taxable year, exceeds

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

3 (d) ~~An~~ A CLAIMANT WHO IS AN eligible serviceperson, eligi-  
4 ble veteran, or eligible widow or widower is entitled to a credit  
5 against the state income tax liability for a percentage of the  
6 property taxes on the homestead for the taxable year not in  
7 excess of 100% determined as follows:

8 (i) Divide the state equalized value allowance specified in  
9 section 506 by the state equalized value of the homestead or, if  
10 the eligible serviceperson, eligible veteran, or eligible widow  
11 or widower leases or rents a homestead, divide 17% of the total  
12 annual rent paid on the property by the property tax rate on the  
13 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 taxable year determined as  
19 follows:

20 (i) If the state equalized value of the homestead is  
21 \$3,500.00 or less, — 100% of the property taxes.

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

25 (2) A person who is qualified to make a claim ~~in~~ UNDER  
26 more than 1 ~~capacity~~ CLASSIFICATION shall elect the ~~capacity~~  
27 ~~in~~ CLASSIFICATION UNDER which the claim is made.

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

4 (4) As used in this section, "totally and permanently  
5 disabled" means disability as defined in section 216 of title II  
6 of the social security act, CHAPTER 531, 49 STAT. 620, 42 U.S.C.  
7 416.

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

15 (a) If the state equalized value of the homestead is  
16 \$2,500.00 or less, — 100% of the property taxes.

17 (b) If the state equalized value of the homestead is more  
18 than \$2,500.00, the percentage that \$2,500.00 bears to the state  
19 equalized value of the homestead.

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

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

24 (8) The total credit allowed in this section ~~for a taxable~~  
25 ~~period prior to January 1, 1976, shall not exceed \$500.00 per~~  
26 ~~year and for each year after December 31, 1975, shall not exceed~~  
27 \$1,200.00 per year FOR EACH TAX YEAR BEFORE THE 1993 TAX YEAR AND

1 \$2,400.00 PER YEAR FOR THE 1993 TAX YEAR AND EACH TAX YEAR AFTER  
2 THE 1993 TAX YEAR. FOR A TAX YEAR BEGINNING AFTER THE 1993 TAX  
3 YEAR THE MAXIMUM CREDIT ALLOWED BY THIS SUBSECTION SHALL BE  
4 ADJUSTED TO REFLECT THE ANNUAL AVERAGE PERCENTAGE INCREASE OR  
5 DECREASE IN THE DETROIT CONSUMER PRICE INDEX IN THE IMMEDIATELY  
6 PRECEDING TAX YEAR. THE ADJUSTMENT SHALL BE MADE BY MULTIPLYING  
7 THE ANNUAL AVERAGE PERCENTAGE INCREASE OR DECREASE IN THE DETROIT  
8 CONSUMER PRICE INDEX FOR THE IMMEDIATELY PRECEDING CALENDAR YEAR  
9 BY THE MAXIMUM CREDIT ALLOWED IN THE IMMEDIATELY PRECEDING TAX  
10 YEAR. THE RESULTANT PRODUCT SHALL BE ADDED TO THE MAXIMUM DOLLAR  
11 AMOUNT OF THE CREDIT ALLOWED IN THE IMMEDIATELY PRECEDING TAX  
12 YEAR AND THEN ROUNDED OFF TO THE NEAREST WHOLE NUMBER, WHICH  
13 SHALL BE THE NEW MAXIMUM CREDIT FOR THE CURRENT YEAR. AS USED IN  
14 THIS SUBSECTION, "DETROIT CONSUMER PRICE INDEX" MEANS THE MOST  
15 COMPREHENSIVE INDEX OF CONSUMER PRICES AVAILABLE FOR THE DETROIT  
16 AREA FROM THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR  
17 STATISTICS.

18 (9) The total credit allowable under this act and the farm-  
19 land and open space preservation act, Act No. 116 of the Public  
20 Acts of 1974, as amended, being sections 554.701 to 554.719 of  
21 the Michigan Compiled Laws, shall not exceed the total property  
22 tax due and payable by the claimant in that year. The amount BY  
23 WHICH the credit exceeds the property tax due and payable shall  
24 be deducted from the credit claimed under THE FARMLAND AND OPEN  
25 SPACE PRESERVATION ACT, Act No. 116 of the Public Acts of 1974,  
26 as amended.