



HOUSE BILL No. 4705

May 4, 1993, Introduced by Reps. Dobronski, Porreca, Palamara, Voorhees, Yokich, Rivers, Cropsey, Stallworth, Olshove, Barns, Shepich, DeMars, Wallace, Gire, Profit, Scott, Jaye, Pitoniak, Goschka, Willard and Wetters and referred to the Committee on Taxation.

A bill to amend sections 520 and 522 of Act No. 281 of the Public Acts of 1967, entitled "Income tax act of 1967," section 520 as amended by Act No. 293 of the Public Acts of 1992 and section 522 as amended by Act No. 254 of the Public Acts of 1987, being sections 206.520 and 206.522 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

Sec. 520. (1) Subject to the limitations and the definitions set out in this chapter, a claimant may claim against

1 ~~his or her state income~~ THE tax ~~otherwise~~ due UNDER THIS ACT
 2 for the tax year a credit for the property taxes on the
 3 TAXPAYER'S homestead deductible for federal income ~~taxes~~ TAX
 4 PURPOSES pursuant to section 164 of the internal revenue code, or
 5 that would have been deductible if the claimant had not elected
 6 the zero bracket amount or if the claimant had been subject to
 7 the federal income tax. The property taxes used for the credit
 8 computation shall not be greater than the amount levied for 1 tax
 9 year.

10 (2) A person who ~~is renting or leasing~~ RENTS OR LEASES a
 11 homestead may claim a similar credit ~~that shall be~~ computed pursuant to
 12 THIS SECTION AND section 522 ~~that shall be~~ based upon 17% of
 13 the gross rent paid. A person ~~renting or leasing~~ WHO RENTS OR
 14 LEASES a homestead subject to a service charge in lieu of ad
 15 valorem taxes as provided by section 15a of the state housing
 16 development authority act of 1966, Act No. 346 of the Public Acts
 17 of 1966, as amended, being section 125.1415a of the Michigan
 18 Compiled Laws, may claim a similar credit ~~that shall be~~ computed pursuant
 19 to THIS SECTION AND section 522 ~~that shall be~~ based upon 10%
 20 of the gross rent paid.

21 (3) If ~~the allowable amount of~~ the credit claimed ~~under~~
 22 PURSUANT TO this section AND SECTION 522 exceeds the ~~state~~
 23 ~~income~~ tax ~~otherwise due~~ LIABILITY OF THE TAXPAYER for the tax
 24 year or if there is no ~~state income~~ tax LIABILITY ~~due~~ for the
 25 tax year, the amount of the claim not used as an offset against
 26 the ~~state income~~ tax LIABILITY shall, after examination and
 27 review, be approved for payment, without interest, to the

1 claimant. A payment approved pursuant to this subsection to a
2 claimant eligible for a credit under subsection (1) shall be made
3 in a check or warrant exclusive of refunds due for withholdings
4 or other credits allowed by this act. In determining the amount
5 of this check or warrant, withholdings and other credits shall be
6 used first to offset any tax liabilities.

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

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

19 (6) A person who discriminates in the charging or collection
20 of rent on a homestead by increasing the rent charged or col-
21 lected because the renter or lessee ~~is claiming and receiving~~
22 CLAIMS AND RECEIVES a credit or payment under this chapter is
23 guilty of a misdemeanor. Discrimination against a renter
24 ~~claiming and receiving~~ WHO CLAIMS AND RECEIVES the credit UNDER
25 THIS SECTION by A reduction of THE rent on the homestead of a
26 person WHO DOES not ~~claiming or receiving~~ CLAIM AND RECEIVE the
27 credit is a misdemeanor. If discriminatory rents are charged or

1 collected, each charge ~~and~~ OR collection of ~~both~~ the higher
2 ~~and~~ OR lower payment is a separate offense. Each acceptance of
3 a payment of rent is a separate offense.

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

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

1 (9) If the credit permitted ~~by subsection (2), that is~~ AND
2 calculated pursuant to THIS SECTION AND section 522 and adjusted
3 pursuant to subsection (7) or (8), does not provide to a senior
4 citizen who ~~is renting or leasing~~ RENTS OR LEASES a homestead
5 that amount attributable to rent that constitutes more than the
6 following percentage of the household income of the senior citi-
7 zen, the senior citizen may claim a credit based upon the amount
8 of household income attributable to rent as provided by this sec-
9 tion, subject to the FOLLOWING limitations: ~~of this section:~~

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

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

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

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

23 (11) The department may promulgate rules to implement sub-
24 sections (9) to (16) and may prescribe a table to allow a claim-
25 ant to determine the credit provided under ~~subsections (9) to~~
26 ~~(16)~~ THIS SECTION and section 522 in the instruction booklet

1 that accompanies the respective income tax or property tax credit
2 forms used by claimants.

3 (12) A senior citizen may claim the credit under subsections
4 (9) to (16) on the same form as the property tax credit permitted
5 by subsection (2). The department shall adjust the forms
6 accordingly.

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

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

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

1 after the credit provided by subsections (9) to (16) is in
2 effect.

3 (16) The total credit allowed by ~~subsections (9) to (15)~~
4 THIS SECTION and section 522 shall not exceed ~~\$1,200.00 per~~
5 ~~year.~~ THE FOLLOWING AMOUNTS FOR THE FOLLOWING YEARS:

6 (A) FOR TAX YEARS BEFORE THE 1993 TAX YEAR, \$1,200.00.

7 (B) FOR THE 1993 TAX YEAR, \$2,000.00.

8 (C) FOR THE 1994 TAX YEAR AND EACH TAX YEAR AFTER THE 1994
9 TAX YEAR, THE MAXIMUM CREDIT ALLOWED BY THIS SUBSECTION SHALL BE
10 ADJUSTED TO REFLECT THE ANNUAL AVERAGE PERCENTAGE INCREASE OR
11 DECREASE IN THE DETROIT CONSUMER PRICE INDEX IN THE IMMEDIATELY
12 PRECEDING TAX YEAR. THE ADJUSTMENT SHALL BE MADE BY MULTIPLYING
13 THE ANNUAL AVERAGE PERCENTAGE INCREASE OR DECREASE IN THE DETROIT
14 CONSUMER PRICE INDEX FOR THE IMMEDIATELY PRECEDING CALENDAR YEAR
15 BY THE MAXIMUM CREDIT ALLOWED IN THE IMMEDIATELY PRECEDING TAX
16 YEAR. THE RESULTANT PRODUCT SHALL BE ADDED TO THE MAXIMUM DOLLAR
17 AMOUNT OF THE CREDIT ALLOWED IN THE IMMEDIATELY PRECEDING TAX
18 YEAR AND THEN ROUNDED OFF TO THE NEAREST WHOLE NUMBER, WHICH
19 SHALL BE THE NEW MAXIMUM CREDIT FOR THE CURRENT YEAR. AS USED IN
20 THIS SUBDIVISION, "DETROIT CONSUMER PRICE INDEX" MEANS THE MOST
21 COMPREHENSIVE INDEX OF CONSUMER PRICES AVAILABLE FOR THE DETROIT
22 AREA FROM THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR
23 STATISTICS.

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

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

1 (a) A claimant ~~, other than a senior citizen, a paraplegic~~
 2 ~~or quadriplegic, a totally and permanently disabled person, an~~
 3 ~~eligible serviceperson, an eligible veteran, an eligible widow or~~
 4 ~~widower, or a blind person,~~ is entitled to a credit against the
 5 state income tax liability equal to 60% of the amount by which
 6 the property taxes on the homestead, or the credit for rental of
 7 the homestead for the taxable year, exceeds 3.5% of the
 8 claimant's ~~total~~ household income for that taxable year.

9 (b) A CLAIMANT WHO IS A senior citizen or a paraplegic or
 10 quadriplegic is entitled to a credit against the state income tax
 11 liability for the amount by which the property taxes on the home-
 12 stead, the credit for rental of the homestead, or a service
 13 charge in lieu of ad valorem taxes as provided by section 15a of
 14 the state housing development authority act of 1966, Act No. 346
 15 of the Public Acts of 1966, as amended, being section 125.1415a
 16 of the Michigan Compiled Laws, for the taxable year exceeds the
 17 percentage of the claimant's ~~total~~ household income for that
 18 taxable year computed as follows:

19 Household income	Percentage
20 Not over \$3,000.00	.0%
21 Over \$3,000.00 but not over \$4,000.00	1.0%
22 Over \$4,000.00 but not over \$5,000.00	2.0%
23 Over \$5,000.00 but not over \$6,000.00	3.0%
24 Over \$6,000.00	3.5%

25 (c) A CLAIMANT WHO IS totally and permanently disabled
 26 ~~person~~ is entitled to a credit against the state income tax

1 liability equal to 60% of the amount by which the property taxes
2 on the homestead, or the credit for rental of the homestead or
3 for a service charge in lieu of ad valorem taxes as provided in
4 section 15a of the state housing development authority act of
5 1966, ~~being section 125.1415a of the Michigan Compiled Laws~~ ACT
6 NO. 346 OF THE PUBLIC ACTS OF 1966, for the taxable year, exceeds
7 the percentage of the claimant's ~~total~~ household income for
8 that taxable year based on the schedule in subdivision (b).

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

14 (i) Divide the state equalized value allowance specified in
15 section 506 by the state equalized value of the homestead or, if
16 the eligible serviceperson, eligible veteran, or eligible widow
17 or widower leases or rents a homestead, divide 17% of the total
18 annual rent paid on the property by the property tax rate on the
19 property.

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

22 (e) A claimant who is blind is entitled to a credit against
23 the state income tax liability for a percentage of the property
24 taxes on the homestead for the taxable year determined as
25 follows:

26 (i) If the state equalized value of the homestead is
27 \$3,500.00 or less, — 100% of the property taxes.

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

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

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

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

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

21 (a) If the state equalized value of the homestead is
22 \$2,500.00 or less, — 100% of the property taxes.

23 (b) If the state equalized value of the homestead is more
24 than \$2,500.00, the percentage that \$2,500.00 bears to the state
25 equalized value of the homestead.

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

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

3 (8) The total credit allowed in this section ~~for a taxable~~
4 ~~period prior to January 1, 1976, shall not exceed \$500.00 per~~
5 ~~year and for each year after December 31, 1975, shall not exceed~~
6 ~~\$1,200.00 per year~~ SHALL NOT EXCEED THE AMOUNT DETERMINED PURSU-
7 ANT TO SECTION 520(16).

8 (9) The total credit allowable under this act and the farm-
9 land and open space preservation act, Act No. 116 of the Public
10 Acts of 1974, as amended, being sections 554.701 to 554.719 of
11 the Michigan Compiled Laws, shall not exceed the total property
12 tax due and payable by the claimant in that year. The amount BY
13 WHICH the credit exceeds the property tax due and payable shall
14 be deducted from the credit claimed under THE FARMLAND AND OPEN
15 SPACE PRESERVATION ACT, Act No. 116 of the Public Acts of 1974,
16 as amended.