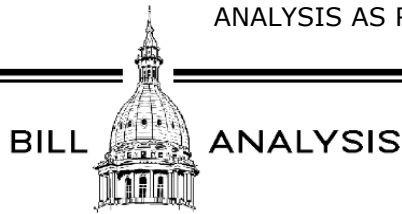




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House Bill 4051 (as reported without amendment)
Sponsor: Representative Jeff Farrington
House Committee: Tax Policy
Senate Committee: Finance

(Senate-passed version)

Date Completed: 3-16-15

RATIONALE

Certain middle- and low-income Michigan taxpayers are able to claim the homestead property tax credit against their State income taxes. One of the requirements to qualify for the credit is that a person own or rent and occupy a homestead on which property taxes are levied. Many low-income people and senior citizens live in housing complexes that are either tax-exempt or subject to an agreement between the owner and the municipality to pay a service fee instead of property taxes. Residents of service fee housing units qualify for the credit, although at a lower amount, while those who live in tax-exempt housing units do not qualify. Evidently, many tenants do not know the tax status of the property in which they live, and often neither does the property manager. That can make it difficult for tax preparers to ensure that their clients are getting the tax credits to which they are entitled. The Department of Treasury has an internal list that it uses for adjustments to reported credits, but the revenue Act prohibits the Department from disclosing information about taxpayers. It is thought that the law should allow disclosure under these circumstances.

CONTENT

The bill would amend the revenue Act to allow the State Treasurer, or a person designated by the State Treasurer, to disclose the address and millage rate of each housing unit that is part of a tax-exempt housing project, and whether the unit is subject to a service charge in lieu of property taxes.

The Act generally prohibits Department of Treasury officials from divulging facts or information obtained in connection with the administration of a tax. The bill would create an exemption to the prohibition for information related to housing projects that are exempt from ad valorem taxes under Section 15a of the State Housing Development Authority Act or under Section 11a of Public Act 18 of 1933, which deals with municipal housing programs.

(Section 15a of the State Housing Development Authority Act exempts a housing project owned by a nonprofit housing corporation, consumer housing cooperative, limited dividend housing corporation, mobile home park corporation, or mobile home park association financed through Federal aid or the Michigan State Housing Development Authority (MSHDA), from all ad valorem property taxes imposed by the State or by any political subdivision, public body, or taxing district in which the project is located.

Under Section 11a of Public Act 18 of 1933, the property of a qualified entity located in the incorporating unit of a municipal housing commission is exempt from all taxation by the State or any of its political subdivisions. A "qualified entity" is either a nonprofit corporation owned or controlled by the commission, or a for-profit corporation, partnership, or company formed or incorporated by the commission for the sole purpose of obtaining low-income housing tax credits in connection with the redevelopment of a housing project owned by the commission.)

MCL 205.28

BACKGROUND

In order to qualify for the homestead property tax credit, an individual must have total household resources (income received by all household members, plus certain deductions from Federal gross income) of less than \$50,000. Also, if the taxpayer owns his or her home, the taxable value of the home must be not more than \$135,000. The value of the credit is equal to 60% of the amount by which property tax paid on the homestead is greater than 3.5% of total household resources, although low-income senior citizens and disabled individuals receive a larger credit. The tax paid for a renter is generally calculated as 20% of the rent paid. If the tenant lives in a service fee housing unit, the calculation of taxes paid is only 10% of the rent paid. Taxpayers living in tax-exempt housing units are not eligible for the credit.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would make it easier for tax preparers to accurately calculate the homestead property tax credit for their clients. Many tenants and property managers do not know if the property being claimed is tax-exempt or is a service fee housing unit. This information is needed to properly determine eligibility for and the amount of a credit. Although the Treasury Department maintains for internal auditing purposes a list of all such properties in the State, the Department believes that the revenue Act prohibits it from disclosing that information. According to testimony submitted to the Finance Committee, free tax assistance programs and other preparers have struggled with this issue for years. The bill would specifically allow the Department to disclose the information they need.

Legislative Analyst: Ryan M. Bergan

FISCAL IMPACT

The bill would have a minimal or no fiscal impact on the Department of Treasury. Any costs that could come from implementing the bill would be minimal and require no additional funding. Savings could be seen if the additional information resulted in a reduction of errors in tax paperwork; however, these savings, if any, also would be minimal. Some additional individuals could be able to claim the homestead property tax credit, due to the access to ad valorem property tax information; however, at this time, it is not estimated that this would result in any significant negative revenue impact on the overall State budget.

The bill would have no impact on local units of government since it would not change how they collect property taxes and millages.

Fiscal Analyst: Cory Savino

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.