

**SENATE BILL NO. 454**

March 23, 1999, Introduced by Senators MC COTTER and EMMONS and referred to the Committee on Finance.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
by amending section 508 (MCL 206.508), as amended by 1990  
PA 283.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 508. (1) "Gross rent" means the total rent contracted  
2 to be paid by the renter or lessee of a homestead pursuant to  
3 dealing at arms' length with the landlord of the homestead.  
4 ~~When~~ IF the landlord and tenant have not dealt with each other  
5 at arms' length and the department believes that the gross rent  
6 charged is excessive, the department may adjust the gross rent to  
7 a reasonable amount for the purposes of this chapter.  
8       (2) "Homestead" means a dwelling or unit in a multiple-unit  
9 dwelling that is subject to ad valorem taxes, or a service charge  
10 in lieu of taxes as provided by section 15a of ~~Act No. 346 of~~

~~1 the Public Acts of 1966, as amended, being section 125.1415a of~~  
~~2 the Michigan Compiled Laws~~ THE STATE HOUSING DEVELOPMENT AUTHOR-  
 3 ITY ACT OF 1966, 1966 PA 346, MCL 125.1415A, owned and occupied  
 4 as a home by the owner of the dwelling or unit, or occupied as  
 5 the dwelling of the renter or lessee, including all unoccupied  
 6 real property not classified for ad valorem tax purposes as com-  
 7 mercial, industrial, residential, or timber-cut over, owned by  
 8 the owner of the homestead. Beginning in the 1990 tax year, a  
 9 homestead does not include unoccupied real property that is  
 10 leased or rented by the owner to another person and that is not  
 11 adjacent and contiguous to the home of the owner. Additionally,  
 12 the following apply:

13       (a) If a homestead is an integral part of a larger unit of  
 14 assessment such as commercial, industrial, residential,  
 15 timber-cut over, or a multipurpose or multidwelling building, the  
 16 tax on the homestead ~~shall be~~ IS the same proportion of the  
 17 total property tax as the proportion of the value of the home-  
 18 stead is to the total value of the assessed property.

19       (b) If the gross receipts of the agricultural or horticul-  
 20 tural operations do not exceed the household income, or if there  
 21 are no gross receipts, the following apply:

22       (i) If the claimant has lived on the land 10 years or more,  
 23 all of the adjacent and contiguous agricultural or horticultural  
 24 ~~lands shall be~~ LAND IS considered a homestead and the credit is  
 25 allowed for all the land.

26       (ii) If the claimant has lived on the land less than 10  
 27 years, not more than 5 acres of adjacent and contiguous

1 agricultural or horticultural land ~~shall be~~ IS considered a  
2 part of the homestead and the credit is allowed for that part of  
3 the land.

4 (c) A mobile home or trailer coach in a trailer coach park  
5 is a homestead and the site rent for space is considered the rent  
6 of a homestead. The specific tax levied by section 41 of ~~Act~~  
7 ~~No. 243 of the Public Acts of 1959, being section 125.1041 of the~~  
8 ~~Michigan Compiled Laws~~ 1959 PA 243, MCL 125.1041, is considered  
9 a property tax.

10 (3) "Household" means a claimant and spouse.

11 (4) "Household income" means, EXCEPT AS OTHERWISE PROVIDED,  
12 all income received by all persons of a household in a tax year  
13 while members of a household. FOR THE 1999 TAX YEAR AND EACH TAX  
14 YEAR AFTER THE 1999 TAX YEAR, HOUSEHOLD INCOME DOES NOT INCLUDE  
15 THE AMOUNT WITHDRAWN BY A MEMBER OF THE HOUSEHOLD IN THE TAX YEAR  
16 FROM AN INDIVIDUAL RETIREMENT ACCOUNT ESTABLISHED BY THE MEMBER  
17 OF THE HOUSEHOLD PURSUANT TO SECTION 408 OF THE INTERNAL REVENUE  
18 CODE AND SUBSEQUENTLY CONTRIBUTED TO A ROTH INDIVIDUAL RETIREMENT  
19 ACCOUNT PURSUANT TO SECTION 408A OF THE INTERNAL REVENUE CODE IN  
20 THE SAME TAX YEAR.