



House Office Building, 9 South  
Lansing, Michigan 48909  
Phone: 517/373-6466

**ADJUST PROPERTY TAX CREDIT  
FOR ELIGIBLE VETERANS**

**House Bill 4168**  
**Sponsor: Rep. Valde Garcia**  
**Committee: Tax Policy**

**Complete to 8-14-01**

**A SUMMARY OF HOUSE BILL 4168 AS INTRODUCED 2-8-01**

The bill would amend the Income Tax Act to alter the factors used in calculating the amount of the alternative homestead property tax credit available to eligible armed forces veterans and widows and widowers of eligible veterans. The bill would, generally speaking, increase the number of persons eligible to claim a credit and increase the amount of the credit available.

This credit is available as an alternative to the standard homestead property tax credit, and a person eligible for either credit can choose the credit that is most beneficial. In any case, the maximum credit is \$1,200.

To be eligible for the alternative veterans credit currently, a person who does not have a service-incurred disability, who is not a spouse of a person with a service-incurred disability, or who is not a surviving spouse of a veteran who died in service, cannot have an annual income over \$7,500. House Bill 4168 would increase that amount to \$27,922. [For other eligible persons, those who receive compensation from the Veterans Administration or the armed forces related to disability or death, the income limit would be the same as for homestead property tax credits generally. That credit phases out beginning at \$73,650 and phases out completely at \$82,650.]

The credit is calculated based on the classification of the veteran (or surviving spouse). For each classification there is a taxable value allowance. The person claiming the credit divides the taxable value allowance by the taxable value of the homestead to determine the percentage of property taxes paid that can be refunded as a credit. A renter can use 20 percent of rent as a stand-in for property taxes. The taxable value allowances were put into statute in 1973. Below is a chart showing current taxable value allowances and, in parentheses, those proposed by the bill. The final two classifications are the ones currently subject to the \$7,500 income limit.

Veteran (or surviving spouse) with service connected disability of:

10-50 percent	\$3,500	(\$13,030)
60-80 percent	\$4,000	(\$14,892)
90-100 percent	\$4,500	(\$16,753)

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Surviving spouse of veteran dying in service:

\$4,500 (\$16,753)

Veteran of wars before World War I, pensioned veteran or surviving spouse, or active military personnel: \$3,500 (\$13,030)

Surviving spouse of a non-disabled or non-pensioned veteran:

\$2,500 (\$9,307)

Example: The instructions accompanying the form used to claim the credit for the 2000 tax year gave the following example of how to calculate the credit. The example featured a 90 percent disabled veteran with a household income of \$20,000; a home with a taxable value of \$15,000; and property taxes of \$750. To calculate the credit, the taxpayer divides the taxable value allowance of \$4,500 by the home's taxable value of \$15,000 to arrive at a 30 percent refund. The refund amount would be \$225, which is 30 percent of \$750.

Under the bill, the same homeowner would have a taxable value allowance of \$16,753. That divided by \$15,000 would result in a refund of over 100 percent. If the homestead had a taxable value of \$33,500, the homeowner would be entitled to a 50 percent refund of property taxes.

MCL 206.506

Analyst: C. Couch

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