

# HOUSE BILL No. 6088

May 18, 2006, Introduced by Reps. Condino, Vagnozzi, Alma Smith, Gleason, Accavitti, Tobocman, Polidori, Sak, Lemmons, Jr., Bieda, Clack, Zelenko, Gonzales, Anderson, Waters, Wojno, Cushingberry, Byrum, McDowell, Espinoza and Mayes and referred to the Committee on Tax Policy.

A bill to amend 1967 PA 281, entitled "Income tax act of 1967," by amending sections 520 and 522 (MCL 206.520 and 206.522), section 520 as amended by 1995 PA 245 and section 522 as amended by 2000 PA 41.

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

1           Sec. 520. (1) Subject to the limitations and the definitions  
2 in this chapter, a claimant may claim against the tax due under  
3 this act for the tax year a credit for the property taxes on the  
4 taxpayer's homestead deductible for federal income tax purposes  
5 pursuant to section 164 of the internal revenue code, or that would  
6 have been deductible if the claimant had not elected the zero  
7 bracket amount or if the claimant had been subject to the federal  
8 income tax. The property taxes used for the credit computation

1 shall not be greater than the amount levied for 1 tax year.

2 (2) A person who rents or leases a homestead may claim a  
3 similar credit computed under this section and section 522 based  
4 upon 17% of the gross rent paid for tax years before the 1994 tax  
5 year, or 20% of the gross rent paid for tax years after the 1993  
6 tax year. A person who rents or leases a homestead subject to a  
7 service charge in lieu of ad valorem taxes as provided by section  
8 15a of the state housing development authority act of 1966, ~~Act~~  
9 ~~No. 346 of the Public Acts of 1966, being section 125.1415a of the~~  
10 ~~Michigan Compiled Laws— 1966 PA 346, MCL 125.1415A,~~ may claim a  
11 similar credit computed under this section and section 522 based  
12 upon 10% of the gross rent paid.

13 (3) If the credit claimed under this section and section 522  
14 exceeds the tax liability for the tax year or if there is no tax  
15 liability for the tax year, the amount of the claim not used as an  
16 offset against the tax liability shall, after examination and  
17 review, be approved for payment, without interest, to the claimant.  
18 In determining the amount of the payment under this subsection,  
19 withholdings and other credits shall be used first to offset any  
20 tax liabilities.

21 (4) If the homestead is an integral part of a multipurpose or  
22 multidwelling building that is federally aided housing or state  
23 aided housing, a claimant who is a senior citizen entitled to a  
24 payment under subsection (2) may assign the right to that payment  
25 to a mortgagor if the mortgagor reduces the rent charged and  
26 collected on the claimant's homestead in an amount equal to the tax  
27 credit payment provided in this chapter. The assignment of the

1 claim is valid only if the Michigan state housing development  
2 authority, by affidavit, verifies that the claimant's rent has been  
3 so reduced.

4 (5) Only the renter or lessee shall claim a credit on property  
5 that is rented or leased as a homestead.

6 (6) A person who discriminates in the charging or collection  
7 of rent on a homestead by increasing the rent charged or collected  
8 because the renter or lessee claims and receives a credit or  
9 payment under this chapter is guilty of a misdemeanor.  
10 Discrimination against a renter who claims and receives the credit  
11 under this section and section 522 by a reduction of the rent on  
12 the homestead of a person who does not claim and receive the credit  
13 is a misdemeanor. If discriminatory rents are charged or collected,  
14 each charge or collection of the higher or lower payment is a  
15 separate offense. Each acceptance of a payment of rent is a  
16 separate offense.

17 (7) A person who received ~~aid to families with dependent~~  
18 ~~children, state family assistance, or state disability~~ assistance  
19 **THROUGH DEPARTMENT OF HUMAN SERVICES PROGRAMS** pursuant to the  
20 social welfare act, ~~Act No. 280 of the Public Acts of 1939, as~~  
21 ~~amended, being sections 400.1 to 400.119b of the Michigan Compiled~~  
22 ~~Laws 1939 PA 280, MCL 400.1 TO 400.119B~~, in the tax year for which  
23 the person is filing a return shall have a credit that is  
24 authorized and computed under this section and section 522 reduced  
25 by an amount equal to the product of the claimant's credit  
26 multiplied by the quotient of the sum of the claimant's ~~aid to~~  
27 ~~families with dependent children, state family assistance, and~~

1 ~~state disability~~ assistance **THROUGH DEPARTMENT OF HUMAN SERVICES**  
2 **PROGRAMS PURSUANT TO THE SOCIAL WELFARE ACT, 1939 PA 280, MCL 400.1**  
3 **TO 400.119B**, for the tax year divided by the claimant's household  
4 income. The reduction of credit shall not exceed the sum of the  
5 ~~aid to families with dependent children, state family assistance,~~  
6 ~~and state disability~~ assistance **THROUGH DEPARTMENT OF HUMAN**  
7 **SERVICES PROGRAMS PURSUANT TO THE SOCIAL WELFARE ACT, 1939 PA 280,**  
8 **MCL 400.1 TO 400.119B**, for the tax year. For the purposes of this  
9 subsection, ~~aid to families with dependent children~~ **ANY**  
10 **ASSISTANCE THROUGH DEPARTMENT OF HUMAN SERVICES PROGRAMS** does not  
11 include child support payments that offset or reduce payments made  
12 to the claimant.

13 (8) A credit under subsection (1) or (2) shall be reduced by  
14 10% for each claimant whose household income exceeds \$73,650.00 and  
15 by an additional 10% for each increment of \$1,000.00 of household  
16 income in excess of \$73,650.00.

17 (9) If the credit authorized and calculated under this section  
18 and section 522 and adjusted under subsection (7) or (8) does not  
19 provide to a senior citizen who rents or leases a homestead that  
20 amount attributable to rent that constitutes more than 40% of the  
21 household income of the senior citizen, the senior citizen may  
22 claim a credit based upon the amount of household income  
23 attributable to rent as provided by this section.

24 (10) A senior citizen whose gross rent paid for the tax year  
25 is more than the percentage of household income specified in  
26 subsection (9) for the respective tax year may claim a credit for  
27 the amount of rent paid that constitutes more than the percentage

1 of the household income of the senior citizen specified in  
2 subsection (9) and that was not provided to the senior citizen by  
3 the credit computed pursuant to this section and section 522 and  
4 adjusted pursuant to subsection (7) or (8).

5 (11) The department may promulgate rules to implement  
6 subsections (9) to ~~(16)~~ (14) and may prescribe a table to allow a  
7 claimant to determine the credit provided under this section and  
8 section 522 in the instruction booklet that accompanies the  
9 respective income tax or property tax credit forms used by  
10 claimants.

11 (12) A senior citizen may claim the credit under subsections  
12 (9) to ~~(16)~~ (14) on the same form as the property tax credit  
13 permitted by subsection (2). The department shall adjust the forms  
14 accordingly.

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

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

25 (15) The Michigan state housing development authority shall  
26 report on the effect of the credit provided by subsections (9) to  
27 ~~(16)~~ (14) on the price of rented and leased homesteads. If the

1 authority determines that the price of rented and leased homesteads  
2 has increased as a result of the credit provided by subsections (9)  
3 to ~~(16)~~ (14), the authority shall make recommendations to the  
4 legislature to remedy this situation. The report shall be made to  
5 the chairpersons of the house and senate committees that have  
6 primary responsibility for taxation legislation 2 years after the  
7 credit provided by subsections (9) to ~~(16)~~ (14) is in effect.

8 (16) The total credit allowed by this section and section 522  
9 shall not exceed \$1,200.00 ~~per year~~ **FOR TAX YEARS THAT BEGIN**  
10 **BEFORE JANUARY 1, 2006 AND \$2,400.00 FOR TAX YEARS THAT BEGIN AFTER**  
11 **DECEMBER 31, 2005.**

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

14 (a) A claimant is entitled to a credit against the state  
15 income tax liability equal to 60% of the amount by which the  
16 property taxes on the homestead, or the credit for rental of the  
17 homestead for the tax year, exceeds 3.5% of the claimant's  
18 household income for that tax year.

19 (b) A claimant who is a senior citizen or a paraplegic,  
20 hemiplegic, or quadriplegic and for tax years that begin after  
21 December 31, 1999, a claimant who is totally and permanently  
22 disabled or deaf is entitled to a credit against the state income  
23 tax liability for the amount by which the property taxes on the  
24 homestead, the credit for rental of the homestead, or a service  
25 charge in lieu of ad valorem taxes as provided by section 15a of  
26 the state housing development authority act of 1966, 1966 PA 346,  
27 MCL 125.1415a, for the tax year exceeds the percentage of the

1 claimant's household income for that tax year computed as follows:

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

8 (c) For a tax year that begins before January 1, 2000, a  
 9 claimant who is totally and permanently disabled is entitled to a  
 10 credit against the state income tax liability equal to 60% of the  
 11 amount by which the property taxes on the homestead, or the credit  
 12 for rental of the homestead or for a service charge in lieu of ad  
 13 valorem taxes as provided in section 15a of the state housing  
 14 development authority act of 1966, 1966 PA 346, MCL 125.1415a, for  
 15 the tax year, exceeds the percentage of the claimant's household  
 16 income for that tax year based on the schedule in subdivision (b).

17 (d) A claimant who is an eligible serviceperson, eligible  
 18 veteran, or eligible widow or widower is entitled to a credit  
 19 against the state income tax liability for a percentage of the  
 20 property taxes on the homestead for the tax year not in excess of  
 21 100% determined as follows:

22 (i) Divide the taxable value allowance specified in section 506  
 23 by the taxable value of the homestead or, if the eligible  
 24 serviceperson, eligible veteran, or eligible widow or widower  
 25 leases or rents a homestead, divide 17% of the total annual rent

1 paid for tax years before the 1994 tax year, or 20% of the total  
2 annual rent paid for tax years after the 1993 tax year on the  
3 property by the property tax rate on the property.

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

6 (e) A claimant who is blind is entitled to a credit against  
7 the state income tax liability for a percentage of the property  
8 taxes on the homestead for the tax year determined as follows:

9 (i) If the taxable value of the homestead is \$3,500.00 or less,  
10 100% of the property taxes.

11 (ii) If the taxable value of the homestead is more than  
12 \$3,500.00, the percentage that \$3,500.00 bears to the taxable value  
13 of the homestead.

14 (2) A person who is qualified to make a claim under more than  
15 1 classification shall elect the classification under which the  
16 claim is made.

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

20 (4) As used in this section, "totally and permanently  
21 disabled" means disability as defined in section 216 of title II of  
22 the social security act, 42 ~~U.S.C.~~ **USC** 416.

23 (5) A senior citizen who has a total household income for the  
24 tax year of \$6,000.00 or less and who for 1973 received a senior  
25 citizen homestead exemption under former section 7c of the general  
26 property tax act, ~~Act No. 206 of the Public Acts of 1893~~ **1893 PA**  
27 **206**, may compute the credit against the state income tax liability



1 for a percentage of the property taxes on the homestead for the tax  
2 year determined as follows:

3 (a) If the taxable value of the homestead is \$2,500.00 or  
4 less, 100% of the property taxes.

5 (b) If the taxable value of the homestead is more than  
6 \$2,500.00, the percentage that \$2,500.00 bears to the taxable value  
7 of the homestead.

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

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

12 (8) The total credit allowed in this section for each year  
13 ~~after December 31, 1975~~ shall not exceed ~~-\$1,200.00 per year~~ **THE**  
14 **AMOUNT DETERMINED UNDER SECTION 520.**

15 (9) The total credit allowable under this act and part 361 of  
16 the natural resources and environmental protection act, 1994 PA  
17 451, MCL 324.36101 to 324.36117, shall not exceed the total  
18 property tax due and payable by the claimant in that year. The  
19 amount by which the credit exceeds the property tax due and payable  
20 shall be deducted from the credit claimed under part 361 of the  
21 natural resources and environmental protection act, 1994 PA 451,  
22 MCL 324.36101 to 324.36117.