

Legislative Analysis



INCREASE HOMESTEAD PROPERTY TAX CREDIT FOR DISABLED VETERANS WHO RENT

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4724 (H-1) as reported from committee

Sponsor: Rep. Natalie Price

Committee: Tax Policy

Complete to 10-14-23

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4724 would amend the Income Tax Act to increase the homestead property tax credit for disabled veterans or their widows and widowers who rent or lease a *homestead*.¹

Currently, the homestead property tax credit is available to individuals who rent or lease and whose total household resources fall below a certain threshold. The credit is calculated based on the amount by which 23% of their gross rent paid during the tax year exceeds 3.2% of the taxpayer's total household resources and is capped at an amount that is adjusted for inflation annually (\$1,600.00 for the 2022 tax year). Taxpayers who rent or lease a homestead that is subject to a service charge in lieu of ad valorem taxes under the State Housing Development Authority Act of 1966² are entitled to a credit based on the difference between 10% of gross rent paid and 3.2% of total household resources.

Under the bill, a *disabled veteran* or their widow or widower would be able to claim a credit equal to 23% of their gross rent paid that tax year. If the disabled veteran or their widow or widower rents or leases a homestead that is subject to a service charge in lieu of ad valorem taxes under the State Housing Development Authority Act, they would be entitled to a credit equal to 10% of the gross rent paid that tax year, or equal to a higher percentage of gross rent if they have documentation that the homestead is subject to a service fee of more than 10%. These credits would not be subject to the cap set for other taxpayers.

Disabled veteran would mean a resident of this state who meets one of the following criteria:

- Has been determined by the U.S. Department of Veterans Affairs (VA) to be permanently and totally disabled as a result of military service and entitled to veterans' benefits at the 100% rate.
- Has a certificate from the VA certifying that the veteran is receiving or has received monetary assistance due to disability for specially adapted housing.
- Has been rated by the VA as individually unemployable.

MCL 206.506 et. seq.

¹ *Homestead* is defined in section 508 of the act: <http://legislature.mi.gov/doc.aspx?mcl-206-508>

² <http://legislature.mi.gov/doc.aspx?mcl-125-1415a>

BRIEF DISCUSSION:

Supporters of the bill argue that disabled veterans or their widows and widowers who own a home are already entitled to a 100% property tax exemption and that the bill will simply extend the same treatment to those who rent.

FISCAL IMPACT:

Given the language in the bill, it can be expected that individual income tax revenue would decline by approximately \$18 million to \$22 million on an annual basis. To the extent that the credit increases a taxpayer's refund, the impact will be borne entirely by the general fund. However, if the credit results in lowering or completely offsetting a taxpayer's annual payment, roughly 25% of the impact will fall on the School Aid Fund, with the remainder coming from the general fund.

POSITIONS:

A representative of the Department of Treasury testified with a neutral position on the bill. (9-13-23)

The following entities indicated a neutral position on the bill (9-13-23):

- Department of Military and Veterans Affairs
- American Legion Department of Michigan

Legislative Analyst: Alex Stegbauer
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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.