



**Sample Low Income Taxpayer with
Homestead Property Tax Credit**

Household Income	\$10,000	\$15,000	\$20,000	\$25,500
Monthly Rent	700	700	700	700
Annual Rent	8,400	8,400	8,400	8,400
IMPUTED PROPERTY TAXES:				
Annual rent times 20%	1,680	1,680	1,680	1,680
3.5% of Household income	350	525	700	893
Subtract to get rent over 3.5%	1,330	1,155	980	788
New Homestead Property Tax Credit	1,200	1,155	980	630 *
@ a % higher than current law	100%	100%	100%	80%
@ 60% in current law	798	693	588	473
Change in credit	\$402	\$462	\$392	\$157

*HPTC phased out at \$30,000 with phase out schedule from Treasury: Using the \$1,000 brackets of the current law phase out of the credit, a taxpayer between \$21,000 and \$22,000 in household income will get 96% of the difference between taxes and 3.5% of household income. Each additional \$1,000 in income would reduce the percentage by 4 percentage points. Once household income exceeds \$30,000 the percentage will be 60%.

Income Bracket	Phase out %
\$ 0 - 20,000	100%
\$ 21,001 - 22,000	96%
\$ 22,001 to 23,000	92%
\$ 23,001 to 24,000	88%
\$ 24,001 to 25,000	84%
\$ 25,001 to 26,000	80%
\$ 26,001 to 27,000	76%
\$ 27,001 to 28,000	72%
\$ 28,001 to 29,000	68%
\$ 29,001 to 30,000	64%
\$ 30,001 & up	60%

Current Property Tax Credit: The credit provides a refundable credit against income tax liability for property tax paid. In most cases, this credit is 60 percent of the amount by which property taxes exceed 3.5 percent of household income.

Renters may use 20 percent of the rent paid to approximate their property tax, and then calculate their credit as above.

Governor Snyder Proposal: Taxpayers with household income of \$20,000 or less, regardless of age, could claim a 100 percent credit. Those households, regardless of age, with income between \$20,000 and \$30,000 would see the credit phase down from 100 percent to 60 percent. Those with income between \$30,001 and \$50,000 would be at 60 percent.

Prepared by: Michigan League for Human Services, April 20, 2011

