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Homestead Property Tax Credit Information

New For 2012 - The Homestead Property Tax Credit is calculated differently, which may reduce or eliminate a taxpayer's Homestead Property Tax Credit.

The groups most likely to experience a change in their credit from the 2011 tax year are:

- Seniors (65 & Older)
- Taxpayers with **Total Household Resources** over \$50,000, and
- Homeowners whose property has a taxable value over \$135,000

Given that each taxpayer has unique circumstances that determine their eligibility for the credit, the Department of Treasury encourages you to review the information below and/or contact a tax professional if you are concerned that these changes may affect you.

▶▶ Why is the amount of my credit different from what I expected?

Before calling or writing, we suggest you use the checklist that best fits your situation.

[For Homeowners Checklist](#) [For Renters Checklist](#)

What is the Homestead Property Tax Credit?

Michigan's property tax credit is a way the State of Michigan helps you pay some of your property taxes if you are a qualified Michigan homeowner or renter. You should complete the Property Tax Credit Claim form (MI-1040CR) to see if you qualify for the credit.

The credit, for most people, is based on a comparison between property taxes and total household resources for 2012 or household income for 2011 and prior years. Homeowners pay property taxes directly and renters pay them indirectly with their rent.

The credit is designed to give the greatest property tax relief to senior citizens, disabled or blind persons and disabled veterans as well as the surviving spouse of a veteran. Michigan residents who are not in these groups may also qualify for the credit.

What is a "Homestead"?

Your homestead is the place where you have your permanent home. It is the place to which you plan to return whenever you go away. You must be the owner and occupant or be contracted to pay rent and occupy the dwelling. You can only have one homestead at a time. Cottages, second homes and property you own and rent/lease to others does not qualify as a homestead. College dormitories do not qualify as homesteads.

Who qualifies for a Homestead Property Tax Credit?

You may claim a property tax credit if **all** of the following apply for 2012:

- **Your homestead is in Michigan**
- **You were a resident of Michigan for at least six months during the year.**
- **You own or are contracted to pay rent and occupy a Michigan homestead on which property taxes were levied**
- **If you own your home, your taxable value is \$135,000 or less**
- **Your total household resources are \$50,000 or less**
(Part year residents must annualize total household resources to determine if a credit reduction applies)

If 100% of your total household resources are received from the Department of Human Services, you do not qualify

You may claim a property tax credit if **all** of the following apply for 2011 and prior years:

- **Your homestead is in Michigan**
- **You were a resident of Michigan for at least six months during the year.**
- **You own or are contracted to pay rent and occupy a Michigan homestead on which property taxes were levied**
- **Your household income is \$82,650 or less**
(Part year residents must annualize household income to determine if a credit reduction applies)

If 100% of your total household income is received from the Department of Human Services, you do not

qualify

[2012 – Checklist for Determining Total Household Resources](#)

[2011 and Prior Years – Checklist for Determining Household Income](#)

[Checklist for Preparing a Homestead Property Tax Credit](#)

Sample Property Tax Statement – Review the sample statement to understand where to find the information you need.
[Sample Property Tax Statement](#)

How do I file a Homestead Property Tax Credit (MI-1040CR)?

If you are required to file a Michigan Individual Income Tax return (MI-1040), submit the Homestead Property Tax Credit form (MI-1040CR) with your MI-1040. If you are not required to file an MI-1040, you may file your Homestead Property Tax Credit by submitting form MI-1040CR only. The due date for filing an Income Tax return is April 15.

If you are blind and own your homestead, are in the active military, are an eligible veteran, or are the surviving spouse of a veteran, complete the MI-1040CR and the MI-1040CR-2, Homestead Property Tax Credit Claim for Veterans and Blind People. Use the form that gives you the larger refund. If you are blind and rent, you must use the MI-1040CR, you cannot use the MI-1040CR-2.

What are Total Household Resources?

Beginning in 2012, household income has been replaced with total household resources. Total household resources include all income received by **all** household members during the year, including income that might be exempt from federal adjusted gross income. Losses from business activity may not be used to reduce total household resources. For a listing of income sources to include in total household resources, [view Income and Deductible Items](#).

[2012 - Checklist for Determining Total Household Resources](#)

What is Household Income?

For 2011 and prior years, household income includes all income received by **all** household members during the year, including income that might be exempt from federal adjusted gross income. For a listing of income sources to include in household income, [view Income and Deductible Items](#).

[2011 and Prior Years – Checklist for Determining Household Income](#)

What Are Qualified Health Insurance Premiums?

[Qualified Health Insurance Premiums](#)

Special Situations

Rent Assistance – If any portion of your rent was paid on your behalf by MSHDA, or any other governmental agency, you are only allowed to claim the portion of your rent that you actually paid. Do not claim any amount that was paid on your behalf by MSHDA or any other governmental agency.

Moved during the year – If you rented, use total rent paid, then prorate the first/last month based on days of occupancy to determine the total amount of rent that may be claimed for credit. Beginning in 2012, the taxable value of the home which you are claiming credit for must be \$135,000 or less. If you bought or sold your home, you must prorate your taxes to determine the taxes that can be claimed for credit. Use only the taxes levied (billed) in the year of claim on each Michigan homestead, then prorate taxes based on days of occupancy. If you owned more than one home, you may only claim the prorated taxes for homes with a taxable value of \$135,000 or less. Do not include taxes on out-of-state property. Property taxes and/or rent may not exceed 12 months.

Mobile Home Park Resident – You may claim \$3 per month specific tax up to a maximum of \$36 and 20% of the yearly rent amount less the specific tax (maximum \$36). If you paid additional taxes on attached buildings (garage, tool shed, etc.), then you may also claim that amount.

Public Housing – If the owner does not pay property tax or a service fee, you are not eligible to claim a property tax credit and a credit will not be issued.

Service Fee/Pilot (payment in lieu of taxes) Housing – A program where there is an agreement between a municipality and a rental property owner (private or public) to pay a service fee instead of property taxes. The Income Tax Act provides that a renter living in Service Fee housing must calculate the property tax credit at 10%. You can find out if a property is subject to Service Fee/Pilot housing by contacting the property owner or local assessor. Often, the Service Fee/Pilot Housing is low income or senior citizen housing that can include an apartment or the rental of a single family home.

Important Note: It is the renter's responsibility to determine if the rental property is Service Fee/Pilot Housing before claiming a credit. Service fees are typically less than property taxes. The Income Tax Act provides that a

renter living in Service Fee housing must calculate the property tax credit at 10%. [FAQ's for Service Fee/Pilot Housing](#)

Alternate Property Tax Credit for Renters Age 65 or Older: An alternate credit is available only to renters age 65 or older whose rent is more than 40% of their total household resources for tax year 2012 or household income for 2011 and prior years. To determine if a person qualifies and for assistance calculating the alternate credit refer to worksheet 4 "Alternate Property Tax Credit for Renters Age 65 and Older" in the Michigan 1040 Individual Income Tax booklet or the estimator available on the website.

Nursing Home, Home for the Aged and Adult Foster Care – If the facility pays local property taxes, you may claim your portion of those taxes for credit. You may not claim rent or monthly fees on the property tax credit. If both you and your spouse live in the facility, add your shares together.

If one spouse lives in a nursing home or foster care home *and* the other spouse maintains a home, you may combine the tax/rent for the homestead and the share of the facility's property tax to compute your claim.

If you are single and maintain a homestead (that is not rented to someone else) while living in a nursing home or adult care facility, you may claim **either** your homestead or your share of the facility's property tax, but not both. Use the one that gives you the larger credit.

Cooperative Housing – You may claim your share of the property taxes on the building, if rent is paid on the land under the building, you may also claim 20 percent of that land rent. (Do not take 20 percent of your total monthly payment.) You may request a statement from the co-op giving the amount of taxes or the percentage of your monthly payment that is considered tax on your unit.

FIP/DHS Recipients – If 100% of your income is received from the Department of Human Services, you do not qualify for a Homestead Property Tax Credit.

For those who received Family Independence Program (FIP) Assistance from the State of Michigan or other public assistance, you may be eligible to claim a home heating credit if you owned or were contracted to pay rent for six or more months during the year. If you owned or rented only part of the year, you must prorate your credit. View instructions for a part-year owner or renter in the MI-1040CR-7 instruction booklet.

Other Helpful Information

Principal Residence Exemption information – allows homeowners an exemption from their local School Operating Millage. Homeowners must file for an exemption and this link will provide additional information on the exemption process. [Principal Residence Exemption](#)

Home Heating Credit information – The Home Heating Credit (HHC) is designed to assist low income families living in Michigan with the cost of heating their homes. It is federally funded and administered by several State of Michigan and federal agencies. [Home Heating Credit](#)

How to Choose a Tax Preparer Who's Right for You – Need assistance in completing your forms? You can hire a professional to prepare your taxes or you might qualify for free (or low fee) tax preparation services. [Choosing a Tax Preparer](#)