



Taxes

Homestead Property Tax Credit Information

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

Before calling or writing, it is suggested that you use the checklist that best fits your situation.

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

What is the homestead property tax credit?

Michigan's homestead property tax credit is how the State of Michigan can help you pay some of your property taxes if you are a qualified Michigan homeowner or renter and meet the requirements. You should complete the Michigan Homestead Property Tax Credit Claim 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. Homeowners pay property taxes directly and renters pay them indirectly with their rent.

Given that each taxpayer has unique circumstances that determine their eligibility for the credit, the Michigan Department of Treasury encourages you to review the information below and/or contact a tax professional.

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, property you own and rent/lease to others, and college dormitories do not qualify as a homestead.

Who qualifies for a homestead property tax credit?

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

- You own or were contracted to pay rent and occupied a Michigan homestead for at least 6 months during the year on which property taxes and/or service fees were levied. If you own your home, your taxable value was \$143,000 or less (unless unoccupied farmland)
- Your total household resources were \$63,000 or less (part year residents must annualize total household resources to determine if a credit reduction applies)
- Your total household resources do not consist solely of payments received from the Michigan Department of Health and Human Services

Note: You may be required to submit documentation to support your claim. See [Homeowners](#) or [Renters](#) Checklist for details.

[Checklist for Determining Total Household Resources](#)

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

[Sample Property Tax Statements](#)

Frequently Used homestead property tax credit forms and instructions

- [MI-1040CR](#)
- [MI-1040CR Instructions](#)
- [MI-1040CR-2](#)
- [MI-1040CR-2 Instructions](#)
- [Form 2105 Michigan Homestead Property Tax Credits for Separated or Divorced Taxpayers](#)
- [Form 5049 Worksheet for Married, Filing Separately and Divorced or Separated Claimants](#)
- [School District Codes](#)

How do I file a Michigan Homestead Property Tax Credit Claim MI-1040CR?

If you are required to file a Michigan Individual Income Tax return MI-1040, submit the Michigan Homestead Property Tax Credit Claim MI-1040CR with your MI-1040. If you are

not required to file an MI-1040, you may file the MI-1040CR by itself. You have 4 years from the original due date to file your claim.

If you are active military, an eligible veteran, or the surviving spouse of a veteran, complete the MI-1040CR and the MI-1040CR-2, Michigan Homestead Property Tax Credit Claim for Veterans and Blind People. File the form that gives you the larger credit.

If you are blind and own your own home, complete the MI-1040CR and the MI-1040CR-2. File the form that gives you the larger credit. If you are blind and rent, you must use the MI-1040CR, you cannot use the MI-1040CR-2.

What taxes may be claimed?

Only taxes levied in the year of the claim may be used for credit no matter when they are paid. You may also include the administrative collection fees up to 1 percent.

Do not include:

- Delinquent property taxes
- Penalty and interest charges
- Delinquent water or sewer bills
- Property taxes on cottages or second homes
- Association dues on your property
- Most special assessments (including but not limited to solid waste fees)

What are total household resources?

Total Household Resources (THR) are the total income (taxable and nontaxable) of both spouses or of a single person maintaining a household. 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](#).

Note: Gifts of cash and all payments made on your behalf must be included in THR.

[Checklist for Determining Total Household Resources](#)

What are qualified health insurance premiums?

Some qualified paid health insurance premiums may be deducted from total household resources. View [Qualified Health Insurance Premiums](#).

Special Situations

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 assistance calculating the alternate credit refer to worksheet 5 "Alternate Property Tax Credit for Renters Age 65 and Older" in the [MI-1040 Individual Income Tax booklet](#) or the estimator available on the website.

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 23% of that land rent. (Do not take 23% of your total monthly association fee) You may request a statement from the co-op showing your share of the property taxes.

Family Independence Program (FIP)/ Michigan Department of Health and Human Services (MDHHS) Recipients - Your credit must be prorated based on income from other sources to total income. If 100% of your income is received from the MDHHS, you do not qualify for a homestead property tax credit. For assistance calculating the credit refer to worksheet 4 "FIP/MDHHS BENEFITS" in the Michigan [MI-1040 Individual Income Tax booklet](#) or the estimator available on the website. For those who received FIP assistance from the State of Michigan or other public assistance, you may be eligible to claim a home heating credit if you owned and occupied your home or were contracted to pay rent. View the instructions in the MI-1040CR-7 booklet.

Foreclosure - Due to economic conditions many individuals are experiencing mortgage foreclosure, repossession of their home and/or cancelation of debt. Any change in home ownership has an impact on the preparation of the Michigan Individual Income Tax Return MI-1040 and/or Michigan Homestead Property Tax Credit Claim MI-1040CR. If you have been involved in a mortgage foreclosure or repossession of your home, view [Information For Mortgage Foreclosure Or Home Repossession And Your Michigan Income Tax Return](#).

Mobile Home Park Resident - You may claim \$3 per month specific tax up to a maximum of \$36 and 23% 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.

Moved during the year - It is important to know the date you moved out of the home you are selling or renting and the date you moved into the home you are buying or

renting. If you owned more than one home, you may only claim the prorated taxes for homes with a [taxable value](#) of \$143,000 or less. If you sell your home for more than you paid for it, plus improvements, you will have a capital gain. In most cases the gain is not taxable, however, it must still be included in your total household resources.

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.

The [taxable value](#) of the home which you are claiming credit for must be \$143,000 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 in the year of claim on each Michigan homestead, then prorate taxes based on days of occupancy.

If you sold a home, you must also include the capital gain from the sale of your home in total household resources even if the capital gain is not included in adjusted gross income.

The combined property taxes and/or rent may not exceed 12 months.

Nursing Home, Home for the Aged and Adult Foster Care - If you are a resident of a special housing facility (Nursing Home, Home for the Aged and Adult Foster Care), base your claim on rent only. **Do not** include other services. If you pay rent with other services and you are unable to determine the portion that constitutes rent only, you may determine your portion of the property taxes that can be claimed for credit based on square footage, or, divide the taxes by the number of residents for whom the home is licensed to care. This information may be obtained from your housing facility. You may be required to produce a copy of the landlord's documentation to substantiate the claim.

- If one spouse lives in a nursing home or adult care facility and the other spouse maintains a home, you may combine the taxes/rent for the homestead and the facility 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 property taxes on your homestead, or rent paid to the facility, but not both. Use the one that gives you the larger credit.

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

Rent Assistance - If any portion of your rent was paid on your behalf by MSHDA, or any other government 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 government agency.

Service Fee Housing is a program where there is an agreement between a municipality and a rental property owner to pay a service fee instead of property taxes. Therefore, no matter how much rent is paid, only 10% of the rent can be claimed for the homestead property tax credit.

You can find out if a property is service fee or tax exempt housing by contacting the city/township/village/county assessor's office. Often, service fee housing is low income or senior citizen housing that can include an apartment or the rental of a single family home.

Note: It is the renter's responsibility to determine if the rental property is service fee housing before claiming a credit. Service fees are typically less than property taxes.

[Why can't I use 23% \(standard amount\) of my annual rent to calculate my homestead property tax credit if I live in service fee housing?](#)

Shared Housing - If two or more individuals share ownership and occupy the homestead or are contracted to pay rent and occupy the rental property, each may file a homestead property tax credit. The claim must be based only on his/her prorated share of the taxable value and property taxes or rent paid and his/her own total household resources. Property taxes levied or monthly rent must be divided equally between each individual. Any gifts of cash or expenses paid on your behalf must be included in total household resources.

If only one individual owns the home or is contracted to pay rent, only that individual may file a homestead property tax credit. The individual claiming the credit must include any gifts of cash or expenses paid on his/her behalf. This includes contributions from others living in the home used to pay household expenses (rent, taxes, utilities, etc.).

Other Helpful Information

Principal Residence Exemption - If you own and occupy your principal residence, it may be exempt from a portion of your local school operating taxes. To claim an exemption, complete the [Homeowner's Principal Residence Exemption Affidavit, Form 2368](#) and file it with your township or city assessor.

Rescinding Your Homeowner's Principal Residence Exemption. If you claim an exemption and no longer use the home as a principal residence, you must notify your township or city assessor by filing the [Form 2602, Request to Rescind Homeowner's Principal Residence Exemption](#) within 90 days of the change or you may be penalized.

Home Heating Credit - The Home Heating Credit is designed to assist low income families living in Michigan with the cost of heating their homes. It is a federally funded program and which is administered by several State of Michigan agencies. [Home Heating Credit FAQ's](#)

[Home Heating Credit Information](#)

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](#)



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