

# Homestead Property Tax Credit Claim (MI-1040CR) ADJUSTMENT or DENIAL

## HOMEOWNER'S CHECKLIST

Prior to sending additional information for review, verify the following information:

- ✓ Was all taxable and nontaxable income included in total household resources?
  - Yes, continue to next topic.
  - No, recalculate your homestead property tax credit using the correct amount of income. If you still disagree with the adjustments made, submit documentation to verify your income and property tax statements for the year in question, to Michigan Department of Treasury for review. Be sure to include a daytime phone number.

See the chart below to determine if some income was omitted on the original return and what information to send for documenting all sources of income.

Income includes but is not limited to the following:

| Income Type   | Supporting Documentation  |
|---|---|
| <b>Wages, salaries, tips, etc.</b>  | W-2(s) and/or 1099(s)   |
| <b>Business Income (from Federal Schedule C, C-EZ, E or F)</b>  | Business records used to prepare your return and/or 1099 payment document   |
| <b>Interest and/or dividends</b>  | 1099-INT, 1099-DIV, etc...  |
| <b>Capital gains</b>  | U.S. Schedule D   |
| <b>Social Security, Supplemental Security Income (SSI) and/or Retirement, Survivors, and Disability Insurance (RSDI) payments</b> | Statement from the Social Security Administration indicating amounts for yourself, your spouse and any claimed dependents.                      |
| <b>Pension benefits (including nontaxable pensions)</b>   | 1099-R  |
| <b>Railroad retirement benefits</b>   | 1099-R  |
| <b>Veteran's benefits</b>   | Letter from the regional Veteran's affairs office   |
| <b>Worker's compensation</b>  | 1099-R and/or W-2   |
| <b>Child Support</b>  | Statement showing amount of support received for the year   |
| <b>Foster Care payments</b>   | W-2, 1099, or other statement from MDHHS  |
| <b>Adoption subsidy payments</b>  | Annual statement  |
| <b>Cancellation of Debt Income (CODI)</b>   | 1099-A and/or 1099-C  |
| <b>Nontaxable gain from sale of primary residence</b>   | See IRS Publication 523   |
| <b>Student grants/scholarships</b>  | 1098-T  |
| <b>FIP/MDHHS payments (Do not include food assistance)</b>  | Annual statement  |
| <b>Rent/Bills paid on your behalf</b>   | Statement from each person who gave assistance; include the total dollar amount given for the year, name, signature, date & contact information |
| <b>Gifts of cash over \$300</b>   | Statement from each person who gave assistance; include the total dollar amount given for the year, name, signature, date & contact information |

| Income Type   | Supporting Documentation   |
|---|--|
| <b>Personal Loans – Including loans from relatives and/or friends*</b>                  | Signed statement showing the original amount of the loan and the terms of repayment.   |
| <b>Inheritance or proceeds of life insurance policy from decedent other than spouse</b> | Statement showing amount received for the year   |
| <b>Inheritance or proceeds of life insurance policy from deceased spouse*</b>           | Statement showing amount received for the year   |
| <b>Food Assistance*</b>   | Statement showing amount of assistance received for the year   |
| <b>Credit cards and/or savings account*</b>   | Statements from financial institution(s) indicating dates and amounts of disbursements received for the year. Statements should be from the beginning, middle and end of the year. |
| <b>Student Loans*</b>   | 1098-T and a statement from financial institution/lender indicating dates and amounts of distributions.  |

\*Note: This is not included as income, but can be used to show how living expenses were covered.

- If you live in a village you may receive a separate property tax statement from the village itself in addition to summer and winter tax statements. Village taxes may be included on the homestead property tax credit.

\*Verify the correct statements were used

Use summer and winter property tax statements for the tax year in question no matter when the taxes were paid. (example: for the 2020 tax year use the 2020 summer and the 2020 winter property tax statements)

- If **Correct** statements were used continue to next topic.
- If **Incorrect** statements were used re-calculate the MI-1040CR using the correct summer and winter property tax statements and corresponding amounts. If you still disagree with the corrections made, submit your summer and winter property tax statements for the year in question to Michigan Department of Treasury for review. Be sure to include a daytime phone number.

- ✓ Verify the correct school district code was reported.

**School District Code:** If you are unsure of what your school district code is, please contact your county, city, township or village office. A list of [school district codes](#) can be found in the MI-1040 Instruction Booklet.

- If **Correct** school district was reported continue to next topic.
- If **Incorrect** school district was reported, submit your summer and winter property tax statements for the year in question to Michigan Department of Treasury for review. Be sure to include a daytime phone number.

- ✓ Verify the correct taxable value of your homestead was reported if you did NOT buy/sell your home.

**Taxable Value:** This can be found on your property tax statements sent to you by your county, city, township or village office. **Do not use the State Equalized Value (SEV) or Assessed Value.**

- If **Correct** taxable value was reported, continue to next topic.
- If **Incorrect** taxable value was reported, recalculate your property tax credit using the summer and winter property tax statements for the year in question. If you still disagree with the adjustments made, submit your

summer and winter property tax statements to Michigan Department of Treasury for review. Be sure to include a daytime phone number.

- ✓ Verify the correct taxable value of your homestead was reported if you bought and/or sold your home.

**Taxable Value:** This can be found on your property tax statements sent to you by your county, city, township or village office. **Do not use the State Equalized Value (SEV) or Assessed Value.** NOTE: Homeowners who moved complete Part 3 (lines 45-51) of the MI-1040CR to determine the taxes that can be claimed.

- If **Correct** taxable value was reported, verify your homestead property taxes/rent was prorated correctly based on the time you occupied each home. If you still disagree with the adjustments made, submit your summer and winter property tax statements/lease agreements to Michigan Department of Treasury for review. Be sure to include a daytime phone number.
- If **Incorrect** taxable value was reported, recalculate your property tax credit using your prorated share of property taxes/rent based on the time you occupied each home. If you still disagree with the adjustments made, submit your summer and winter property tax statements/lease agreements to Michigan Department of Treasury for review. Be sure to include a daytime phone number.

- ✓ Verify the taxes levied (billed) for the tax year in question were reported correctly.

**Taxes Levied:** You can only claim the amount of property taxes levied (billed) during the year in question, no matter when they were paid. Do not include special assessments or penalty/interest fees.

Do **Not** use property tax information from your mortgage statement, as this may contain taxes paid for a prior tax year.

- If **Correct** taxes levied amount was reported continue to next topic.
- If **Incorrect** taxes levied (billed) amount was reported, recalculate your property tax credit using the correct taxes levied. If you still disagree with the adjustments made, submit your summer and winter property tax statements for the year in question to Michigan Department of Treasury for review. Be sure to include a daytime phone number.

- ✓ Verify the taxes levied (billed) and reported for the tax year in question did not include special assessments and/or penalty/interest.

**Special assessments and/or penalty/interest must be subtracted from the property taxes. Special assessments may include recycling, garbage/rubbish removal, street lights, sidewalks, drains, etc. These are not charged based on a millage rate; therefore they cannot be included in the credit computation.**

- If Special assessments and/or penalty/interest **were not** included, continue to next topic.
- If Special assessments and/or penalty/interest **were** included, recalculate the homestead property tax credit using the correct amount of taxes levied by subtracting the special assessments and penalty/interest from total taxes. If you still disagree with the adjustments made, submit your summer and winter property tax statements for the year in question to Michigan Department of Treasury for review. Be sure to include a daytime phone number.

- ✓ Did you move during the year?

- **If Yes**, the property taxes for both homes must be prorated. Complete Part 3 (lines 45-51) of the MI-1040CR to determine the taxes that can be claimed. Use only taxes levied in the year of the claim, then prorate taxes based on days you owned and occupied the home as your principal residence. Do not include the taxes listed on your settlement statement. You may not claim more than 365 days total. 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 gains are not included in adjusted gross income.

**If No**, continue to next topic.

✓ What was the principal residence exemption (P.R.E.) percentage on the property?

- **100% P.R.E.** means that your property is exempt from school operating tax.
- **Between 1% and 99% P.R.E.** means that part of your property is not used as your principal residence and your property is subject to a portion of school operating tax.

*For example*, if you use 10% of your property as a business, then your principal residence exemption would be 90%. You cannot claim any of the school operating tax for the property tax credit because that is taxed to the business on your property. After subtracting the school operating tax from your property tax bill, you can claim 90% of the remaining property tax for the credit.

How to compute your Homestead Property Tax Credit, if your P.R.E is between 1% and 99% P.R.E.

|  |         |
|--|---------|
| Total taxes levied for tax year .....          | \$1,348 |
| Subtract School Operating Tax .....            | - \$123 |
| .....  | \$1,225 |
| Multiply by percentage declared as P.R.E. .... | x 90%   |
| Amount of taxes that can be claimed .....      | \$1,102 |

- **0% P.R.E.** means that you have not claimed a principal residence exemption and all of your property is subject to school operating tax. If you own and occupy the property as your home, you should file a Principal Residence Exemption Affidavit (Form 2368) with your county, city, township or village and submit your summer and winter property tax statements to Michigan Department of Treasury for review. Please note that a second home or a vacation home does not meet the qualifications of a principal residence.

✓ Do you share ownership of your home?

If two or more individuals share ownership and occupy the homestead 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 and his/her own total household resources. Property taxes levied must be divided equally between each individual.

Note: Any gifts of cash or expenses paid on your behalf must be included in total household resources.

If you still disagree with the adjustment, respond in writing, along with a copy of your summer and winter property tax statements for the year in question, a daytime phone number and a copy of the adjustment message/letter you received to:

Michigan Department of Treasury  
P O Box 30058  
Lansing MI 48909

Allow up to 12 weeks after your correspondence has been imaged onto our system for review. You will be notified in writing upon completion.

For the status of correspondence visit [eServices](#).