



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JOHN ENGLER  
GOVERNOR

DOUGLAS B. ROBERTS  
STATE TREASURER

**REVENUE ADMINISTRATIVE BULLETIN 2002-2**

**Approved: March 28, 2002**

**INDIVIDUAL INCOME TAX – HOMESTEAD PROPERTY TAX CREDIT  
PERMANENT RESIDENT OF A NURSING HOME**

(Replaces Revenue Administrative Bulletin 1988-21)

**RAB 2002-2.** This Revenue Administrative Bulletin (RAB) describes a permanent nursing home resident's entitlement to a homestead property tax credit when substantially all or a part of the charges for rent, food, nursing or other services are paid directly to the nursing home by agencies of the state or federal government.

**Entitlement to a Homestead Property Tax Credit**

An individual natural person who was domiciled in Michigan for at least six months of the calendar year may file for a homestead property tax credit based on property taxes levied or rent paid on a Michigan homestead owned or rented as the claimant's principal residence. MCL 206.520(2) and Department of Treasury Rule, 1979 AC, R 206.28 provide that a claimant who rents or leases a homestead may claim a similar credit.

**Property Taxes Eligible to be Claimed for the Credit**

MCL 206.520(1) provides that the property taxes that may be used to calculate a property tax credit are the taxes on a homestead that are deductible for federal income tax purposes pursuant to Section 164 of the Internal Revenue Code of 1986, or the property taxes that would have been deductible if the taxpayer had elected to itemize his or her deductions. In computing the credit, "homestead property taxes" are the taxes levied on property and based on the taxable value of the homestead, including collection fees, or 20 percent of the gross rent paid. [MCL 206.520(2)]

The property taxes used for the credit computation may not be greater than the amount levied for one year and, pursuant to MCL 206.530(2), will be subject to further adjustment if the homestead is occupied less than a 12 month period.

**Computation of Credit**

The credit is equal to 60 percent of the property taxes levied on the homestead or property taxes paid in rent that exceed 3.5 percent of the claimant's household income, and subject to further reduction if the claimant receives aid to dependent children and/or has household income in excess of \$73,650.00 (as indexed). [MCL 206.520(8) and MCL 206.522(1)(a)]

MCL 206.522 describes other categories, for example senior citizen, that a claimant may qualify to file under for the credit. Generally, these other categories will entitle him or her to a larger percentage of the property taxes as a credit. The claimant may only elect one category in filing a claim. The total credit allowed to a claimant in a taxable year on or after December 31, 1975, may not exceed \$1,200.00. [MCL 206.520(16)]

A permanent resident of a nursing home may not use in the computation on a property tax credit all or a portion of his or her "allocable share" of property taxes, as defined in Department of Treasury Rules, 1979 AC, R 206.28(6), if the rent, food, nursing or other services are paid directly to the nursing home by an agency of the state or federal government.

This claimant is considered to have paid none of the property taxes in rent to the nursing home if he or she has no responsibility for rent, food and other nursing home charges. Only a renter or lessee may claim a property tax credit on property that he or she has contracted to rent or lease. Pursuant to MCL 206.520(1), the property taxes eligible for the credit must be the same property taxes that could have been deducted under Section 164 of the Internal Revenue Code of 1986. A cash basis taxpayer cannot claim a deduction of real estate taxes in excess of those property taxes which he or she has not paid.

Therefore, if all the charges for a permanent nursing home resident are paid directly to the nursing home by an agency of the state or federal government, the resident has not paid any property taxes and may not claim a property tax credit based on the "allocated share" of property taxes designated to a person residing in a nursing home.

### **Summary**

A nursing home resident cannot claim as his or her "allocable share" of property taxes any sum that exceeds the total nursing home charges paid by him or her. In determining the total nursing home charges paid by the resident, any charges paid directly to the nursing home by state or federal agencies will be deducted from the total charges paid for the year from all sources. Where the total charges paid by the resident are less than the "allocable share" of property taxes, all payments made by him or her are designated as payment of taxes. And, where the total charges paid by the resident are equal to or greater than the resident's "allocable share," the claimant may include the "allocable share" of property taxes in the computation of his or her credit.

**Example:** Nursing home charges for Resident A were billed in a lump sum of \$10,000 for rent, food, and other nursing services to the State of Michigan. Of that sum, \$9,600 was paid directly to the nursing home by the state. The resident paid the balance of \$400.00 due.

The resident's "allocable share" of property taxes on the facility, based on 100 beds and real property taxes of \$50,000.00, is \$500.00. However, since the total charges paid by him are less than his "allocable share," only the lesser figure of \$400.00 may be utilized by the resident for calculating a property tax credit.

In computing the household income of a nursing home resident, any charges paid directly to the nursing home by an agency of the state or federal government are not required to be considered. See Department of Treasury Income Tax Rules, 1979 AC, R 206.4(2)(b). This Rule provides that “household income” does not include “[r]elief in kind by a governmental unit such as medicaid payments to a nursing home or doctor, or rent paid, in whole or in part, directly to the landlord...”