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STATE OF MICHIGAN  
**DEPARTMENT OF TREASURY**  
TREASURY BUILDING  
LANSING, MICHIGAN 48922

**REVENUE ADMINISTRATIVE BULLETIN 1988-24**

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**INDIVIDUAL INCOME TAX -  
HOMESTEAD PROPERTY TAX CREDIT WHEN ADULTS  
OTHER THAN HUSBAND AND WIFE SHARE HOMESTEAD**

**RAB-88-24.** This Bulletin is issued to explain who is considered an eligible claimant for the purpose of claiming a homestead property tax credit under MCL 206.520(1) and when a homestead is occupied by more than one adult who are not related as husband and wife.

To qualify as a claimant for homestead property tax credit purposes, the claimant must be an individual natural person who was domiciled in this State during at least 6 months of the calendar year preceding the year in which the claim is filed. Claimant includes a husband and wife if they file a joint State income tax return. (See MCL 206.504(2).) A claimant must own or lease a homestead to qualify for the credit. (See generally MCL 206.520.)

**Owner Defined**

An owner is defined in Department of Treasury Rule, 1979 AC, R 206.27(1) as ". . . a natural person who owns his home or is:

- (a) purchasing a homestead under a mortgage or land contract, or
- (b) purchasing a dwelling on leased land, or
- (c) a tenant stockholder of a cooperative housing corporation, or
- (d) holding a life lease in a homestead previously sold, or
- (e) the sole occupant of a homestead where he is a joint owner."

Subsection (2) of Rule 206.27 provides that "claimants not related as husband and wife, who jointly own and occupy the same dwelling, shall file separate claims on their prorated share of the taxes."

**Renter Defined**

A renter is defined in MCL 206.512(4) as ". . . a person renting or leasing a homestead."

### Property Taxes Eligible to a Renter

A renter or lessee is entitled to use 17% of the gross rent paid during the tax year as property taxes eligible for the credit. However, the amount of gross rent paid by the lessee may not always be used to calculate the credit. The gross rent must be the amount the renter or lessee contracts to pay the landlord or the amount established in an arm's length transaction with the landlord. The Department will adjust the amount of gross rent if it determines that the amount is excessive.

### Shared Homestead

In some cases, more than one eligible renter or lessee may occupy the same homestead. Each claimant is entitled to compute a homestead property tax credit based upon 17% of the gross rent he or she contracts to pay the landlord or agrees to pay the landlord based on an arm's length transaction.

An individual who does not have a contract to rent or cannot establish that an arm's length transaction exists between him or her and the landlord will be ineligible to claim a homestead property tax credit.

**Examples:** An individual owns and occupies a homestead with her two adult children. Her children do not pay a specific rental or room and board charge, but sporadically contribute small sums of money to her. Since the children are not owners of the home nor do they contract to pay rent, the mother is entitled to claim all of the property taxes in the calculation of her homestead property tax credit.

Two unrelated individuals are sharing a rented home. Only one of these individuals has signed a rental agreement with the lessor. Each person pays one-half of the contract rent. The Department requires the non-contracting tenant to be able to prove her payments are bona fide if she claims a homestead property tax credit. (See MCL 206.508(1).)