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BILL ANALYSIS

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Senate Bill 1204 (Substitute S-1)  
Sponsor: Senator Patricia L. Birkholz  
Committee: Commerce and Labor

Date Completed: 6-14-04

### **CONTENT**

**The bill would amend the Income Tax Act to allow a person to claim a credit against the income tax for renting an apartment or finished room above a garage.**

Specifically, for tax years beginning after December 31, 2004, a taxpayer whose principal residence was in a city or village could claim an income tax credit for that year if he or she rented an apartment or finished room above his or her garage for more than 30 consecutive days in the tax year as a "housing accommodation". The garage would have to be located on the same property as the taxpayer's principal residence.

The tax credit would be equal to the annual rent received in the tax year or \$500, whichever was less. If the amount of the credit exceeded the taxpayer's tax liability for that year, the excess portion of the credit would have to be refunded.

"Housing accommodation" would include improved or unimproved real property, or a part of real property that is used or occupied, or is intended, arranged, or designed to be used or occupied, as the home or residence of at least one person. "Principal residence" would mean that term as it is defined in the General Property Tax Act, i.e., the one place where a property owner has his or her true, fixed, and permanent home to which, whenever absent, he or she intends to return and that will continue as a principal residence until another is established (MCL 211.7dd).

Proposed MCL 206.269

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

Based on census data and certain key assumptions, it is estimated that a small percentage of homes have a room or apartment over their garage and only a small portion of these homeowners currently rent the room out or would be inclined to do so in the future. Therefore, it is estimated that this bill would have a fiscal impact of less than \$0.5 million. This loss in income tax revenue would primarily affect General Fund/General Purpose revenue and it would have no direct fiscal impact on local governments.

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.