

# 2012 MICHIGAN MI-1040CR-2

## HOMESTEAD PROPERTY TAX CREDIT CLAIM FOR VETERANS AND BLIND PEOPLE

[www.michigan.gov/taxes](http://www.michigan.gov/taxes)

DRAFT 9-19-12



- ✦ E-file your *Michigan Homestead Property Tax Credit Claim for Veterans and Blind People* (MI-1040CR-2) with or without a *Michigan Individual Income Tax Return* (MI-1040) and get your refund faster.
- ✦ E-filed returns are usually processed within 14 business days. Please allow 14 days before checking the status of your e-filed return.
- ✦ Visit the Michigan Department of Treasury Web site at [www.Mifastfile.org](http://www.Mifastfile.org) for a list of e-file resources, how to find an e-file provider, and more information on free e-file services.

[WWW.MIFASTFILE.ORG](http://WWW.MIFASTFILE.ORG)



**DIRECT DEPOSIT.** Your refund is deposited safely into your account at the financial institution of your choice and is immediately available. No more waiting in line to cash your check. See page 10.

**UNCLAIMED PROPERTY.** The Michigan Department of Treasury is holding millions of dollars in abandoned and unclaimed property belonging to Michigan residents. To check if Treasury is holding funds for you or your family, visit [www.michigan.gov/unclaimedproperty](http://www.michigan.gov/unclaimedproperty).

**FILING DUE DATE: APRIL 15, 2013**

# Tax Information and Assistance

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## Self Service Options

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The Michigan Department of Treasury (Treasury) offers a variety of services designed to assist you, and most are available 24 hours a day, seven days a week.

**IMPORTANT:** To obtain information about your account using the Internet and Telephone Options listed below, you will need the following information from your return:

- Social Security number of the primary filer (the filer listed first on the return)
- Tax year of the return
- Adjusted gross income (AGI) or total household resources
- Filing status (single, married filing jointly, married filing separately).

## Internet Options

[www.michigan.gov/incometax](http://www.michigan.gov/incometax)

Find the following information on this Web site:

- Current year forms and instructions
- Answers to many tax preparation questions
- Most commonly used tax forms
- Free assistance in preparing your return
- Other tax resources.

[www.michigan.gov/iit](http://www.michigan.gov/iit)

This secure Web site was designed specifically to protect your personal tax information. Use this Web site to:

- Check the status of your return
- Check the status of letters you have sent to Treasury
- Check estimated payments you made during the year
- Change your address
- Ask a specific question about your account.

## Telephone Options

**(517) 636-4486**

### Automated Information Service

With Treasury's automated phone system, you can:

- Check the status of letters you have sent to Treasury
- Request the status of your refund
- Request information on estimated payments
- Order current tax year forms.

While most questions can be answered by the Automated Information Service, customer service representatives are available from 8 a.m. to 4:45 p.m., Monday through Friday.

Assistance is available using TTY through the Michigan Relay Service by calling 1-800-649-3777 or 711. Printed material in an alternate format may be obtained by calling (517) 636-4486.

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## Additional Help

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If you need help completing your credit form, contact your local senior citizen center or community service agency to find out if a volunteer tax assistance program is available.

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## A Note About Debts

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By law, any money you owe to the State and other agencies must be deducted from your refund or credit before it is issued. Debts include: money you owe for past-due taxes, student loans, child support due the Friend of the Court, an Internal Revenue Service (IRS) levy, money due a State agency, a court-ordered garnishment, or other court orders. Taxpayers who are married, filing jointly, may receive an *Income Allocation to Non-Obligated Spouse* (Form 743) after the return is filed. Completing and filing this form may limit the portion of the refund that can be applied to a debt. If Treasury applies all or part of your refund to any of these debts, you will receive a letter of explanation.

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## Mailing Label

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Review the label on the back cover of this booklet. If your name and address are correct and your filing status is the same as last year (single, married filing jointly, or married filing separately), place the label on the top of page 1 of your tax return. It is important that you place your label in the space provided. If the information on your label is not correct, do not use the label. Enter the correct information on your return.

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## DHS/FIP Benefits Worksheet

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If you received Family Independence Program (FIP) assistance or other Department of Human Services (DHS) benefits in 2012, you will need to complete the FIP/DHS Benefits Worksheet on page 9. Carry the amount from your Worksheet to line 32 on your MI-1040CR-2.

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## Completing Your Forms

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Review your claim and make sure it is complete. Check for the following **common errors** that may delay your refund:

- Using a mailing label with incorrect information
- Illegible writing
- Transposing numbers in the Social Security number
- Entering figures on the wrong lines
- Computation errors
- Filling in the lines if they do not apply to you or if the amount is zero
- Omitting the taxable value of your homestead
- Omitting the school district code
- Failing to report total household resources from all sources, both taxable and nontaxable, on the property tax credit claim
- Leaving the FIP blank (line 26), entering the wrong amount of FIP assistance, or entering the total household resources subtotal on this line

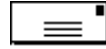
- Reporting two years of property taxes or special assessments
- Filing multiple returns for the same tax year. Do not staple multiple year returns together
- Filing only one page of the form (the MI-1040CR-2 is a two page form, both pages must be filed).

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## Where to Mail Your Claim

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Mail your claim to:



**Michigan Department of Treasury**  
Lansing, MI 48956

Do not mail your 2012 claim in the same envelope with a claim for any other tax year or the processing of your 2012 claim will be delayed. Mail your 2012 claim in a separate envelope. **Do not staple** claims together.

## General Information About the Homestead Property Tax Credit

This booklet is intended as a guide to help you complete your claim; it does not take the place of the law. If you are required to file a *Michigan Individual Income Tax Return* (MI-1040), file your credit claim with it.

A *Homestead Property Tax Credit Claim for Veterans and Blind People* (MI-1040CR-2) is included in this booklet. If you qualify based on the information below, complete this form and the *Homestead Property Tax Credit Claim* (MI-1040CR). File the form that gives you the larger credit. Farmers with a taxable value greater than \$135,000 should calculate the credit using the MI-1040CR.

The request for your Social Security number(s) is authorized under United States Code (USC) Section 42. Social Security numbers are used by Treasury to conduct matches against benefit income provided by the Social Security Administration and other sources to verify the accuracy of the home heating and property tax credit claims filed and to deter fraudulent filing(s).

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### Who May Claim a Property Tax Credit

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You may claim a property tax credit if all of the following apply:

- You were a Michigan resident at least six months of 2012
- Your homestead is located in Michigan
- You pay property taxes or rent on your Michigan homestead.

You can have only one homestead at a time and you must be the occupant as well as the owner or renter. Your homestead can be a rented apartment or a mobile home on a lot in a mobile home park. A vacation home or income property is not considered your homestead.

Your homestead is in your state of domicile. Domicile is the place where you have your permanent home. It is the place to which you plan to return whenever you go away. College students and others whose permanent homes are not in Michigan are **not** Michigan residents. Domicile continues until you establish a new permanent home.

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### Who May File the MI-1040CR-2

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You may file MI-1040CR-2 if you are:

- Blind and own your homestead
- A veteran with a service-connected disability or veteran's surviving spouse
- A surviving spouse of a veteran deceased in service

- Active military, pensioned veteran or his or her surviving spouse whose total household resources is \$7,500 or less
  - A surviving spouse of a nondisabled or nonpensioned veteran of the Korean War, World War II, or World War I whose total household resources is \$7,500 or less.
- If you are blind and rent your homestead, claim your credit on MI-1040CR as a totally and permanently disabled person. See page 2 if you need the MI-1040CR.

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### Total Household Resource Limits

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Total household resources cannot be more than \$7,500 for some military personnel. See line 7 on MI-1040CR-2 for more information. If your income is over the limit for MI-1040CR-2, you may qualify for a credit using MI-1040CR.

Taxpayers with total household resources over \$50,000 are **not** eligible for a credit in any category. The computed credit (line 12) is reduced by 10 percent for every \$1,000 (or part of \$1,000) that total household resources exceeds \$41,000. If filing a part-year return (for a deceased taxpayer or a part-year resident), you must annualize your income to determine if the income limitation applies. See instructions for annualizing on page 9.

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### Property Tax Credit Limits

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If you own your home, your credit is based on the 2012 property taxes levied on your home, the taxable value of your homestead, and the allowance for your filing category. See Table 2 on page 11 for your allowance. If you do not know the taxable value of your homestead, contact your local treasurer.

If you rent your home, your credit depends on how much rent you pay, the allowance for your filing category, and the millage rate on the rented property. The millage rate is the total millage levied by your city or township, county, and school district. If you do not know the rate, contact your local treasurer.

Your credit cannot be more than \$1,200.

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### When to File

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If you do not have to file a 2012 *Michigan Individual Income Tax Return* (MI-1040), you may file your credit claim as soon as you know your total household resources and property taxes levied in 2012. If you are required to file a Michigan income tax return, your credit claim should be attached to your tax return and filed by April 15, 2013, to be considered timely. The deadline for claiming a refund is April 17, 2017.

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## Delaying Payment of Your Property Taxes

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Senior citizens, disabled people, veterans, surviving spouses of veterans, and farmers may be able to delay paying property taxes. Contact your local or county treasurer for more information about delaying payment of your property taxes.

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## Total Household Resources

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Total household resources is the total income (taxable and nontaxable) of both spouses or of a single person maintaining a household. It is AGI, excluding net business and farm losses, net rent and royalty losses, and any carryover of a net operating loss, plus all income exempt or excluded from AGI. Include gains realized on the sale of your residence whether or not these gains are exempt from federal income tax. See instructions on page 7.

### Total household resources includes the following items not listed on the form:

- Compensation for damages to character or for personal injury or sickness
- An inheritance (except an inheritance from your spouse)
- Proceeds of a life insurance policy paid on the death of the insured (except benefits from a policy on your spouse)
- Death benefits paid by or on behalf of an employer
- Minister's housing allowance
- Scholarship, stipend, grant, or GI bill benefits and payments made directly to an educational institution
- Forgiveness of debt, even if excluded from AGI (e.g., mortgage foreclosure)
- Reimbursement from dependent care and/or medical care spending accounts
- Payments made on your behalf, except government payments, made directly to an educational institution or subsidized housing project.

### Total household resources does NOT include:

- Net operating loss deductions taken on your federal return.
- Payments received by participants in the foster grandparent or senior companion program
- Energy assistance grants
- Government payments to a third party (e.g., a doctor)

**Note:** If payment is made from money withheld from your benefit, the payment is part of total household resources. (For example, the DHS may pay your rent directly to the landlord.)

- Money received from a government unit to repair or improve your homestead
- Surplus food or food assistance program benefits
- State and city income tax refunds and homestead property tax credits
- Chore service payments (these payments are income to the provider of the service)
- The first \$300 from gambling, bingo, lottery, awards, or prizes
- The first \$300 in gifts of cash or merchandise received, or expenses paid on your behalf (rent, taxes, utilities, food, medical care, etc.) by parents, relatives or friends

- Amounts deducted from Social Security or Railroad Retirement benefits for Medicare premiums
- Life, health, and accident insurance premiums paid by your employer
- Loan proceeds
- Inheritance from a spouse
- Life insurance benefits from a spouse
- Payments from a long-term care policy made to a nursing home or other care facility.

Visit [www.michigan.gov/taxtotalhouseholdresources](http://www.michigan.gov/taxtotalhouseholdresources) for more information on Total Household Resources.

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## Property Taxes That Can Be Claimed for Credit

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Ad valorem property taxes levied on your homestead in 2012, including collection fees up to 1 percent of the taxes, can be claimed no matter when you pay them. You may add to your 2012 taxes the amount of property taxes billed in 2012 from a corrected or supplemental tax bill. You must **deduct** from your 2012 property taxes any refund of property taxes received in 2012 that was a result of a corrected tax bill from a previous year.

### Do not include:

- Delinquent property taxes (e.g., 2011 property taxes paid in 2012)
- Penalty and interest on late payment of property tax
- Delinquent water or sewer bills
- Property taxes on cottages or second homes
- Association dues on your property
- Most special assessments for drains, sewers, and roads do not meet specific tests and may not be included. You may include special assessments only if they are levied using a uniform millage rate, are based on taxable value, and are either levied in the entire taxing jurisdiction or they are used to provide police, fire, or advanced life support services and are levied township-wide, except for all or a portion of a village.

**Note:** School operating taxes are generally only levied on the non-homestead portion of the property and may not be included in taxes levied when computing the property tax credit on any portion of the home not used as your homestead.

**Home used for business.** If you use part of your home for business, you can claim the property taxes on the living area of your homestead but **not** the property taxes on the portion used for your business. Provide a copy of U.S. Form 8829.

**Owner-occupied duplexes.** When both units are equal, you are limited to 50 percent of the tax on both units, after subtracting the school operating taxes from the total taxes billed.

**Owner-occupied income property.** Apartment building and duplex owners who live in one of the units or single-family homeowners who rent a room(s) to a tenant(s) must do two calculations to figure the tax they can claim and base their credit on the **lower** amount. First, subtract 20 percent of the rent collected from the tax claimed for credit. Second, reduce the tax claimed for credit by the

amount of tax claimed as rental expense on your U.S. Form 1040. Provide a copy of the U.S. *Schedule E*.

**Example:** Your home has an upstairs apartment that is rented to a tenant for \$395 a month. Total property taxes on your home are \$2,150. Of this amount, \$858 is claimed as rental expense. The calculations are as follows:

**Step 1:**

$\$395 \times 12 = \$4,740$  annual rent

$\$4,740 \times 0.20 = \$948$  taxes attributable to the apartment

$\$2,150$  total taxes -  $\$948 = \$1,202$  taxes attributable to owner's homestead

**Step 2:**

$\$2,150$  total taxes -  $\$858$  taxes claimed as a business deduction =  $\$1,292$  taxes attributable to homestead

**Step 3:**

The owner's taxes that can be claimed for credit are \$1,202, the smaller of the two computations.

**Farmers.** Include farmland taxes in your property tax credit claim if any of the following conditions apply:

- If your gross receipts from farming are greater than your total household resources, you can claim all of your farmland taxes including taxes on unoccupied farmland. Do **not** include taxes on farmland that is not adjacent or contiguous to your home and that you rent or lease to another person.
- If gross receipts from farming are less than your total household resources and you have lived in your home **more** than ten years, you can claim the taxes on your home and the farmland adjacent and contiguous to your home.
- If gross receipts from farming are less than your total household resources and you have lived in your home **less** than ten years, you may claim the taxes on your home and the five acres of farmland adjacent and contiguous to your home.

You may **not** claim **rent paid** for vacant farmland when computing your property tax credit claim.

Include any farmland preservation tax credit in your total household resources. Enter the amount of credit you received in 2012 on line 19 or include it in net farm income on line 15.

Homestead property tax credits are **not** included in total household resources. If you included this amount in your taxable farm income, subtract it from total household resources.

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### Rent That Can Be Claimed for Credit

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You must be under a lease or rental contract to claim rent for credit. In most cases, 20 percent of rent paid is considered property tax that can be claimed for credit. The following are exceptions:

- If you rent or lease housing that is subject to a **service charge or fees paid** instead of property taxes, you may claim a credit based upon 10 percent of the gross rent paid.
- If your housing is **exempt** from property tax and no service fee is paid, you are **not** eligible for credit. **This includes university- or college-owned housing.**
- If your **housing costs are subsidized**, base your claim on the amount you pay. Do **not** include the federal subsidy

amount.

- If you are a **mobile home park resident**, claim the \$3 per month specific tax plus 20 percent of the balance of rent paid.

- If you are a **cooperative housing corporation resident member**, claim your share of the property taxes on the building. If you live in a cooperative where residents pay rent on the land under the building, you may also claim 20 percent of that land rent. (Do **not** take 20 percent of your total monthly payment.)

- When you pay **room and board in one fee**, you must determine your portion of the tax that can be claimed for credit based on square footage.

**Example:** You pay \$750 a month for room and board. You occupy 600 square feet of a 62,000 square foot apartment building. The landlord pays \$54,000 in taxes per year. If you pay room and board in separate billings, you must base your property tax credit on rent.

**Step 1:**  $600/62,000 = 0.0097$

**Step 2:**  $\$54,000 \times 0.0097 = \$524$  taxes you can claim for credit.

**Home used for business.** If you use part of your apartment or rented home for business, you may claim the rent on the living area of your homestead, but not the rent on the portion used for business.

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### Amending Your Claim

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File a new claim form and write "Amended" across the top of the form. You must do this within four years of the due date of your original income tax return.

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### If You Moved in 2012

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**Residents** who temporarily lived outside Michigan may qualify for a credit if Michigan remained their state of domicile. Personal belongings and furnishings must have remained in the Michigan homestead **and** the homestead must **not** have been rented or sublet during the temporary absence. (See the definition of domicile on page 3.)

**If you bought or sold your home or moved during 2012**, you must prorate your taxes. Complete lines 33 through 43 to determine taxes that can be claimed for credit. Use only the taxes levied in 2012 on each Michigan homestead, then prorate those taxes based on the days of occupancy. Do **not** include taxes on out-of-state property.

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### Married During 2012

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Complete lines 33 through 43 to prorate taxes for the period of time each spouse occupied his or her home. Complete lines 44 through 55 if one spouse rented part of the year. Combine each spouse's share of taxes or rent for the period of time he or she lived in separate homesteads. Then add the prorated share of taxes or rent for the time you lived together in your marital home. Write "Married in 2012" and the date of your marriage next to line 43. This applies only to homes located in Michigan and to couples who married during 2012.

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## Part-year Residents

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If you lived in Michigan at least six months during the year, you may be entitled to a partial credit. You must include all income received while a Michigan resident in total household resources. Complete Part 1, page 2 to determine the taxes eligible to be claimed for credit on your Michigan homestead. See page 7 of the MI-1040 booklet.

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## Residents of Nursing Homes and Other Adult Care Homes

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If you are a resident of a nursing home, adult foster care home, or home for the aged, file MI-1040CR to obtain the maximum credit you are entitled to. The form and instructions for filing are in the *2012 Michigan Individual Income Tax Forms and Instructions* booklet. To obtain the booklet, see page 2.

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## Deceased Claimant's Credit

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The estate of a taxpayer who died in 2012 (or 2013 before filing a claim) may be entitled to a credit for 2012. The surviving spouse, other authorized claimant, or personal representative can claim this credit. Use the deceased taxpayer's Social Security number and the personal representative's address. If the taxpayer died after December 31, 2011, enter the date of death in the "Deceased Taxpayers" box on the bottom of MI-1040CR-2, page 2.

The **surviving spouse** may file a joint claim with the deceased. Enter both names and Social Security numbers on the form, and write "DECD" after the decedent's name. Sign the return and write "filing as surviving spouse" in the deceased's signature block. Enter the date of death in the "Deceased Taxpayers" box on the bottom of page 2. Include the deceased's income in total household resources. See the "Deceased Taxpayer Chart of Examples," page 11, example A.

If filing as a **personal representative** or **claimant** for the refund of a single deceased taxpayer, you must attach U.S. Form 1310 or *Michigan Claim for Refund Due a Deceased Taxpayer* (MI-1310). Enter the name of the deceased person on the appropriate name line and the representative's or claimant's name, title and address on the home address line. Write "DECD" after the decedent's name. See the "Deceased Taxpayer Chart of Examples," page 11, examples B or C. A **claimant** must prorate to the date of death as noted in the following paragraph.

The **personal representative** or **claimant** claiming a credit for a single deceased person or on a jointly filed credit if both filers became deceased during the 2012 tax year must prorate taxes to the date of death. Complete lines 35 through 43 to prorate the property taxes or lines 44 through 55 if the taxpayer paid rent. Annualize total household resources. (See the instructions for line 32 on page 9.) Attach a copy of the tax bills or lease agreements. If filing as a **personal representative** or **claimant** of deceased taxpayers for a **jointly** filed return, you must attach a U.S. Form 1310 or MI-1310. Enter the names of the deceased persons on the Filer's and Spouse's Name line and the representative's or claimant's name, title, and address on

the Home Address line. See "Deceased Taxpayer Chart of Examples," page 11, examples D or E.

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## Separated and Filing a Joint Return With Your Spouse

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Your claim must be based on the tax or rent for 12 months on only one home. The total household resources must be the combined income of both spouses for the entire year.

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## Filing Separate Federal and State Returns and Maintaining Separate Homesteads

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You may each claim a credit. Each credit is based on the individual taxes or rent and individual income for each person.

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## Separated or Divorced in 2012

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Figure your credit based on the taxes you paid together before your separation plus taxes you paid individually after your separation. Attach a schedule showing your computation. For more information or to help you calculate a prorated share of taxes, see *Michigan Homestead Property Tax Credit for Separated or Divorced Taxpayers* (Form 2105).

**Example:** Karl and Cheryl separated on October 2, 2012. The annual taxes on the home they owned were \$1,860. Cheryl continued to live in the home, and Karl moved to an apartment on October 2 and paid \$350 per month rent for the rest of the year. Cheryl earned \$20,000 and Karl earned \$25,000. They lived together for 275 days.

**Step 1:** Calculate the prorated income for each spouse for the 275 days they lived together. Divide each spouse's total income by 366 days, then multiply that figure by 275.

Cheryl  $(\$20,000/366) \times 275 = \$15,027$

Karl  $(\$25,000/366) \times 275 = \$18,784$

**Step 2:** Add both prorated incomes together to determine the total income for the time they lived together.

$\$15,027 + \$18,784 = \$33,811$

**Step 3:** Divide each individual's prorated share of income by the total income from Step 2 to determine the percentage of income attributable to each.

Cheryl  $\$15,027/\$33,811 = 44\%$

Karl  $\$18,784/\$33,811 = 56\%$

**Step 4:** Calculate the prorated taxes eligible for credit for the time they lived together. Divide the \$1,860 by 366 days, then multiply by 275 days.

$(\$1,860/366) \times 275 = \$1,398$

**Step 5:** Calculate each individual's share of the prorated taxes. Multiply the \$1,398 by the percentages determined in Step 3.

Cheryl  $\$1,398 \times 44\% = \$615$

Karl  $\$1,398 \times 56\% = \$783$

Enter these amounts on line 38, column A, of your MI-1040CR-2. Then complete lines 39 through 42.

Cheryl uses lines 35 through 42, column B, to determine her share of taxes for the remaining 91 days. Karl uses

lines 44 through 54 to determine his share of rent. Each completes the remaining lines of the MI-1040CR-2 according to the form instructions.

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### **Married, Filing Separately**

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Spouses who file separate Michigan income tax returns and share a household are entitled to only one property tax credit. Complete the property tax credit claim jointly and include income from both spouses in total household resources. Divide the credit as you wish. If each spouse claims a portion of the credit, attach a copy of the claim

showing each spouse's share of the credit to each income tax return. Enter your portion of the credit on line 25 of MI-1040.

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### **Single Adults Sharing a Home**

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When two or more single adults share a home, each may file a credit claim if each has contracted to pay rent or owns a share of the home. Each adult should file an individual claim based on his or her total household resources and prorated share of taxes or rent paid.

## **Line-by-Line Instructions for MI-1040CR-2**

*Lines not listed are explained on the form.*

**Lines 1, 2, and 3:** Enter your name(s), address, and Social Security number(s). If you are married filing separate claims, enter both Social Security numbers but do **not** enter your spouse's name.

**Line 5: Filing Status.** Check the box to identify your filing status. If you file a joint federal return, you must file a joint property tax credit. Married couples who file married filing separate must include the total household resources of both spouses unless you filed separate federal returns and maintained separate homesteads. If you filed your federal return as head of household or qualifying widow(er), you must file the property tax credit as single or, if married, married filing separately.

**Line 6: Residency.** Check the box that describes your Michigan residency for 2012. If you and your spouse had a different residency status during the year, check a box for each of you. If you checked box c, enter the dates of Michigan residency in 2012.

**Line 7b:** Enter the percent of disability as determined by the Veteran Administration.

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### **Property Tax and Total Household Resources**

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If you bought or sold your home or if you are a part-year resident, go to Part 1, page 2 of MI-1040CR-2. Renters go to Part 2, page 2 of MI-1040CR-2.

Include all taxable and nontaxable income you and your spouse received in 2012. If your family lived in Michigan and one spouse earned wages outside Michigan, include the income earned out-of-state in your total household resources. (See "Who May Claim a Property Tax Credit" on page 3 and "Total Household Resources" on page 4.)

**Line 9:** If you own your homestead, enter the taxable value of your homestead from your 2012 property tax statement or assessment notice. **If the taxable value of your homestead is greater than \$135,000, STOP; you are not eligible for the homestead property tax credit.** If you do not know your taxable value, contact your local treasurer. Farmers should include the taxable value on all land that qualifies for this credit.

If you rent your homestead, you must complete Part 2 to determine the taxable value of your homestead. You will need to know the total millage rate levied by your city or

township. If you do not know the rate, contact your local treasurer.

**Line 10:** Read "Property Taxes That Can Be Claimed for Credit" on page 4 before you complete this line.

**Line 11:** Divide your taxable value allowance by the taxable value of your home to determine your percentage of tax relief (cannot exceed 100%). See example on page 11.

**Line 13:** Enter all compensation received as an employee. Include strike pay, supplemental unemployment benefits (SUB pay), sick pay, or long-term disability benefits, including income protection insurance and any other amounts reported to you on Form W-2.

**Line 14:** Do not include dividend and interest income reported on Form K-1. See line 15 instructions.

**Line 15:** Add the amounts from:

- U.S. *Schedule C* (Profit or Loss from Business)
- Part II (Ordinary Gains and Losses) of the U.S. Form 4797
- Part II (Income or Loss from Partnerships and S Corporations) and Part III (Income or Loss from Estates and Trusts) of the U.S. *Schedule E*.
- U.S. *Schedule F* (Profit or Loss from Farming)
- Include income items reported as a distributive share.

**If the total is negative enter "0." Include amounts from sources outside Michigan. Attach these schedules to your claim.**

**Line 16:** Add the amounts from:

- Part I (Income or Loss from Rental Real Estate and Royalties) of the U.S. *Schedule E*
- Part IV (Income or Loss from Real Estate Mortgage Investment Conduits (REMIC)) of the U.S. *Schedule E* (rents, royalties).

**If the total is negative enter "0." Include amounts from sources outside Michigan. Attach these schedules to your claim.**

**Line 17:** Enter all annuity, retirement pension, and IRA benefits. This should be the taxable amount shown on your U.S. Form 1099-R. If no taxable amount is shown on your U.S. Form 1099-R, use the amount required to be included in AGI. Enter zero if all of your distribution is from your contributions made with income previously included in AGI. Include reimbursement payments such as an increase

in a pension on pay for Medicare charges. Also include the total amount of any lump sum distribution including amounts reported to your U.S. Form 4972. Do **not** include recoveries of after-tax contributions or amounts rolled over into another plan (amounts rolled over into a Roth IRA must be included to the extent included in AGI).

You must include any part of a distribution from a Roth IRA that exceeds your total contributions to the Roth IRA regardless of whether this amount is included in AGI. Assume that all contributions to the Roth IRA are withdrawn first. **Note:** Losses from Roth IRAs cannot be deducted.

**Line 18:** Enter net capital gains and losses. This is the total of short-term and long-term gains, less short-term and long-term losses from your U.S. *Schedule D* (losses cannot exceed \$3,000 if single or married filing jointly or \$1,500 if married filing separately). Exclude any items reported on line 15. Include gains realized on the sale of your residence whether or not these gains are exempt from federal income tax.

**Line 19:** Enter alimony received and other taxable income. Describe other taxable income. This includes:

- Awards, prizes, lottery, bingo, and other gambling winnings over \$300.
- Farmland Preservation Tax Credits if not included in net farm income on line 15.
- Forgiveness of debt to the extent included in federal AGI (e.g., mortgage foreclosure).

**Line 20:** Enter your Social Security, Supplemental Security Income (SSI), and/or Railroad Retirement benefits. Include death benefits **and amounts received for minor children or other dependent adults** who live with you. Report the amount actually received. Medicare premiums reported on your Social Security or Railroad Retirement statement should be deducted.

**Line 21:** Enter child support and all payments received as a foster parent. **Note:** If you received a *2012 Custodial Party End of Year Statement* (FEN-851) showing child support payments paid to the Friend of the Court, enter the child support portion here and attach a copy of the statement. Also see line 26.

**Line 22:** Enter all unemployment compensation received in 2012.

**Line 23:** Enter the value. The value over \$300 in gifts of cash or merchandise received, or expenses paid on your behalf (rent, taxes, utilities, food, medical care, etc.) by parents, relatives, or friends. Do not include government payments made directly to third parties such as an educational institution or subsidized housing project.

**Line 24:** Enter other nontaxable income. This includes:

- Forgiveness of debt, even if excluded from AGI (e.g., mortgage foreclosure)
- Scholarship, stipend, grant, or GI bill benefits and payments made directly to an educational institution.

For more information, see the Total Household Resources instructions on page 4.

**Line 25:** Enter service-connected disability compensation and pension benefits from the Veterans Administration and workers' compensation benefits. Veterans receiving retirement benefits should enter the benefits on line 17.

**Line 26:** Enter the total payments made to your household by DHS and all other public assistance payments. Do not include amounts paid directly to the landowner on your behalf by a government agency. Your *2012 Client Annual Statement* (DHS-1241) mailed by DHS in January 2013 will show your total DHS payments. Your statement(s) may include the following: FIP assistance, State Disability Assistance (SDA), Refugee Assistance, Repatriate Assistance, and vendor payments for shelter, heat, and utilities. **Note:** If you received Form FEN-851 (attach a copy), subtract the amount of child support payments entered on line 21 from the total DHS payments and enter the difference here.

**Line 28:** Enter the total adjustments from your U.S. Form 1040 or U.S. Form 1040A. Describe the adjustments to income. These adjustments reduce total household resources and include some of the following:

- Payments to IRAs, SEP, SIMPLE, or qualified plans
- Student loan interest deduction
- Moving expenses **into** or **within** Michigan can be included in Other adjustments to reduce total household resources. Moving expenses when moving **out** of Michigan cannot be included in Other adjustments to reduce total household resources.
- Deduction for self-employment tax
- Self-employed health insurance deduction
- Penalty on early withdrawal of savings
- Alimony paid
- Jury duty pay you gave to your employer
- Archer Medical Savings Account (MSA) deduction
- Any other adjustments to gross income included on your 2012 U.S. Form 1040.

**Line 29:** Enter health insurance premiums, Health Maintenance Organization (HMO) premiums, or other insurance premiums paid for yourself and your family. Include the following premiums:

- medical insurance
- dental insurance
- vision insurance
- prescription drug plan
- automobile insurance (medical care portion only).

Do **not** include any insurance premiums deducted on lines 20 or 28, amounts paid for income protection insurance (long-term disability), long-term care insurance, or amounts paid by an employer with pre-tax payroll contributions.

**Line 31: Total Household Resources** is used only to compute your credit. Taxpayers with total household resources over \$50,000 are **not** eligible for a credit in any category.



**FIP/DHS Benefits Worksheet**

A. Amount from line 26  
(FIP and other DHS benefits)... \_\_\_\_\_

B. Amount from line 31  
(Total Household Resources) \_\_\_\_\_

C. Subtract line A from line B (if  
amount is negative, enter zero) \_\_\_\_\_

D. Divide line C by line B  
and enter percentage here \_\_\_\_\_

E. Amount from line 12  
(maximum \$1,200) \_\_\_\_\_

        Multiply line E by line D.

F. **Enter here and carry amount  
to MI-1040CR-2, line 32** \_\_\_\_\_

**Credit Proration for FIP/DHS Benefit Recipients**

If you received FIP assistance or other DHS benefits in 2012, prorate your credit to reflect the ratio of income from other sources to your total household resources. To prorate your credit, complete your MI-1040CR-2, lines 1 through 31 first, then use the information from your MI-1040CR-2 to complete the FIP/DHS Benefits Worksheet.

**Your Credit**

**Line 32:** Enter the amount below that applies to you (maximum \$1,200).

- FIP and DHS recipients, enter amount from the worksheet above
- Taxpayers who have total household resources over \$50,000 are **not** eligible for a credit in any category. The computed credit (line 12) is reduced by 10 percent for every \$1,000 (or part of \$1,000) that your total household resources exceeds \$41,000. If you are filing a part-year return (for a deceased taxpayer or a part-year resident), you must annualize the total household resources to determine if the credit reduction applies. If the annualized income is more than \$41,000, enter annualized income on line 31 of MI-1040CR2. If the annualized total household resources is \$41,000 or less, no reduction is necessary. Then use **actual** total household resources attributable to Michigan

**TABLE 1 —  
HOMESTEAD PROPERTY TAX CREDIT PHASE OUT**

Total Household Resources	Percentage
\$41,001 - \$42,000 .....	90% (0.90)
\$42,001 - \$43,000 .....	80% (0.80)
\$43,001 - \$44,000 .....	70% (0.70)
\$44,001 - \$45,000 .....	60% (0.60)
\$45,001 - \$46,000 .....	50% (0.50)
\$46,001 - \$47,000 .....	40% (0.40)
\$47,001 - \$48,000 .....	30% (0.30)
\$48,001 - \$49,000 .....	20% (0.20)
\$49,001 - \$50,000 .....	10% (0.10)
\$50,001 - above .....	0% (0.00)

on line 31. A surviving spouse filing a joint claim does **not** have to annualize the deceased spouse's income.

**To annualize total household resources (project what it would have been for a full year):**

**Step 1:** Divide 366 by the number of days the claimant lived or was a Michigan resident in 2012.

**Step 2:** Multiply the answer from step 1 by the claimant's total household resources (line 31). The result is the annualized total household resources.


**Renters (Veterans Only)**

See "Rent That Can Be Claimed for Credit" on page 5.

**Line 44:** If you rented a Michigan homestead subject to local property taxes, enter the street number and name, city, landlord's name and address, number of months rented, rent paid per month, and total rent paid. Do this for each Michigan homestead rented during 2012 and for each time rental amounts changed. If you need more space, attach an additional sheet. Do **not** include more than 12 months' rent. If you married in 2012, see page 5. Do **not** include amounts paid directly to the landowner on your behalf by a government agency, unless payment is made with money withheld from your benefit. If you pay lot rent on your mobile home, subtract the \$3 per month property tax from the total rental amount and claim the remaining rent on line 44.

**IMPORTANT:** If you rented your Michigan homestead(s) for the entire year, complete lines 44 through 48. If you rented your Michigan homestead(s) for part of the year, complete lines 44 through 55.

**When You Have Finished**

 **Sign your return**

Review your claim to make sure your name(s), Social Security number(s), address, and all other important information are on the claim.

If the preparer is someone other than the taxpayer, he or she must include the name and address of the firm he or she represents and preparer tax identification or federal employer identification number. Check the box to indicate if Treasury may discuss your return with your preparer.

**Attachments**

Assemble your claim and attachments in the following order and staple in the upper-left corner.

- *Farmland Preservation Tax Credit* (MI-1040CR-5)
- *Schedule of Taxes and Allocation to Each Agreement* (Schedule CR-5)
- *Homestead Property Tax Credit Claim for Veterans and Blind People* (MI-1040CR-2)
- *Home Heating Credit* (MI-1040CR-7).

If you are also filing MI-1040, assemble your returns and attachments according to the instructions in the MI-1040 booklet.

See "Where to Mail Your Claim" on page 3. Keep a copy of this form and all supporting documents for six years.

## DECEASED TAXPAYER CHART OF EXAMPLES

(See instructions, page 6.)

### A. Joint Filers with Surviving Spouse

1. Filer's First Name <b>John</b>	M.I. <b>A</b>	Last Name <b>Brown</b>	<b>DECD</b>
If a Joint Return, Spouse's First Name <b>Jane</b>	M.I. <b>C</b>	Last Name <b>Brown</b>	

### B. Single Filer with Personal Representative

1. Filer's First Name <b>John</b>	M.I. <b>A</b>	Last Name <b>Brown</b>	<b>EST OF</b>
If a Joint Return, Spouse's First Name	M.I.	Last Name	
Home Address (No., Street, P.O. Box or Rural Route) <b>Sam W. Jones</b> <b>REP</b> <b>123 Main St.</b>			

### C. Single Filer with Claimant

1. Filer's First Name <b>John</b>	M.I. <b>A</b>	Last Name <b>Brown</b>	<b>DECD</b>
If a Joint Return, Spouse's First Name	M.I.	Last Name	
Home Address (No., Street, P.O. Box or Rural Route) <b>Sam W. Jones</b> <b>CLAIMANT</b> <b>123 Main St.</b>			

### D. Joint Filers with Personal Representative

1. Filer's First Name <b>John</b>	M.I. <b>A</b>	Last Name <b>Brown</b>	<b>EST OF</b>
If a Joint Return, Spouse's First Name <b>Jane</b>	M.I. <b>C</b>	Last Name <b>Brown</b>	<b>EST OF</b>
Home Address (No., Street, P.O. Box or Rural Route) <b>Sam W. Jones</b> <b>REP</b> <b>123 Main St.</b>			

### E. Joint Filers with Claimant

1. Filer's First Name <b>John</b>	M.I. <b>A</b>	Last Name <b>Brown</b>	<b>DECD</b>
If a Joint Return, Spouse's First Name <b>Jane</b>	M.I. <b>C</b>	Last Name <b>Brown</b>	<b>DECD</b>
Home Address (No., Street, P.O. Box or Rural Route) <b>Sam W. Jones</b> <b>CLAIMANT</b> <b>123 Main St.</b>			

## TABLE 2 - VETERANS AND BLIND STATUS AND TAXABLE VALUE ALLOWANCE (TVA)

<u>Filing Status</u>	<u>Percent of Disability</u>	<u>TVA</u>
A. Blind (if each spouse is blind, the TVA is \$7,000) .....		\$3,500
B. Veteran with service-connected disability (or his or her surviving spouse) .....	10 - 50% .....	3,500
	60 - 80% .....	4,000
	90 - 100% .....	4,500
C. Surviving spouse of veteran deceased in service .....		4,500
D. Active military, pensioned veteran, or his or her surviving spouse .....		3,500
E. Surviving spouse of a nondisabled or nonpensioned veteran of the Korean War, World War II, or World War I .....		2,500

## CREDIT COMPUTATION EXAMPLES

To calculate your credit, first divide the allowance from Table 2 above by the taxable value of your homestead. The result is a percentage (not to exceed 100%). Multiply this percentage by the property taxes levied on your homestead to arrive at your credit (maximum \$1,200).

**Homeowner's Example:** You are a 90 percent disabled veteran, age 66, with total household resources of \$20,000. Your home has a taxable value of \$15,000 and the property tax is \$750. As a disabled veteran your taxable value allowance (TVA) from Table 2 above is \$4,500. Compute the credit as follows:

$$\begin{aligned} & \$4,500 \text{ TVA (from Table 2)} / \$15,000 \\ & 30\% \text{ refundable (0.30)} \\ & \$750 \text{ property taxes} \times 0.30 = \$225 \text{ credit} \end{aligned}$$

**Renter's Example:** The taxable value of the rented homestead is determined by multiplying your rent by 20 percent and dividing the result by the non-homestead

millage rate. For example, you are a pensioned veteran and rent your home for \$395 per month. Your local assessor tells you the non-homestead rate for your home is 56 mills (0.056 or \$56 for every \$1,000 of taxable value). Compute the credit as follows:

$$\begin{aligned} & \$395 \text{ monthly rent} \times 12 = \$4,740 \text{ yearly rent} \\ & \$4,740 \times 0.20 = \$948 \text{ taxes attributable to rent} \\ & \$948 / 0.056 \text{ (non-homestead rate)} = \$16,929 \text{ (taxable value)} \\ & \$3,500 \text{ TVA (from Table 2)} / \$16,929 \text{ (taxable value)} = \\ & 20.67\% \text{ (0.2067) refundable} \\ & \$948 \text{ property taxes} \times 0.2067 = \$196 \text{ credit} \end{aligned}$$

**Note:**

- Blind people who rent their homestead do **not** qualify for credit on MI-1040CR-2 and should file as blind and permanently disabled persons on MI-1040CR.
- Contact your local assessor for the non-homestead rate.