on salaries, wages, and other personal compensation earned in the other state.

**Historic preservation tax credit.** This credit provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic resources located in the State of Michigan. Taxpayers eligible for this credit will have received a certificate from the State Historic Preservation Office. If the credit exceeds the taxpayer’s liability, the balance may be carried forward up to ten years. For a refundable option, see **Refundable Credits**, below. The credit must be claimed in the year the certification of completed rehabilitation was issued. See Form 3581, Michigan Historic Preservation Tax Credit, for more information.

**Small Business Investment Tax (Venture Investment) Credit.** This credit provides qualified investors a 25% tax credit over a two-year period on qualified investments in qualified businesses. To qualify, investments had to be made after December 31, 2010, and before January 1, 2012. Taxpayer eligible for this credit received a certificate from the Michigan Strategic Fund Board, Small Business Investment Tax Credit Program, which must be attached to the taxpayer’s return.

**Use Tax**

The use tax equals 6% on purchases made outside of Michigan that are subject to the Michigan sales tax. The tax applies to purchases for the storage, use, or consumption in Michigan of tangible personal property in which the company selling such property did not collect Michigan sales or use tax. Examples include purchases by mail order, internet, or while traveling in foreign countries and other states. A taxpayer does not have to pay Michigan use tax if:

- Michigan sales or use tax was paid to the seller, or
- The seller charged another state’s sales tax (including local sales taxes) of at least 6% on purchases (does not apply to tax paid in a foreign country).

The tax applies to the total price, including shipping and handling charges. Use **Worksheet 1**, below, to calculate the tax. If the taxpayer has incomplete or inaccurate receipts, use **Table 1**, below, to estimate use tax.

**Worksheet 1—Use Tax**

1) Total purchases where each item was under $1,000 and multiply the result by 6%. Or, enter the amount from the **Use Tax Table**, below.  
2) Total purchases where each item exceeded $1,000. Multiply the result by 6%.  
3) Add line 1 plus line 2. Enter the amount from line 3 on line 23, Form MI-1040.

**Table 1—Use Tax Estimate Based on AGI**

<table>
<thead>
<tr>
<th>AGI from line 10, Form MI-1040</th>
<th>Tax to enter on line 1 above:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to 10,000</td>
<td>$4</td>
</tr>
<tr>
<td>10,001 to 20,000</td>
<td>12</td>
</tr>
<tr>
<td>20,001 to 30,000</td>
<td>20</td>
</tr>
<tr>
<td>30,001 to 40,000</td>
<td>28</td>
</tr>
<tr>
<td>40,001 to 50,000</td>
<td>36</td>
</tr>
<tr>
<td>50,001 to 75,000</td>
<td>50</td>
</tr>
<tr>
<td>75,001 to 100,000</td>
<td>70</td>
</tr>
<tr>
<td>Above $100,000</td>
<td>Multiply AGI by 0.08%</td>
</tr>
</tbody>
</table>

**Refundable Credits**

**Property tax credit.** See Homestead Property Tax Credit, Form MI-1040CR, next column.

**Farmland Preservation Tax Credit.** The Farmland Preservation Tax Credit gives back to farmland owners a share of the property tax they pay on their farmland. Farmland owners qualify for credit by agreeing to keep the land as farmland and not developing it for another use. Taxpayers may claim the credit if they are eligible to file Form MI-1040, own farmland, and have entered into a Farmland Development Rights Agreement (FDRA) with the Michigan Department of Agriculture and Rural Development (MDARD). See Form MI-1040CR-5, Farmland Preservation Tax Credit Claim, for information on claiming this credit.

**Michigan Earned Income Tax Credit (EITC).** Taxpayers who are eligible to claim an EITC on their federal return may claim a Michigan EITC equal to 6% of the taxpayer’s federal credit. Claim the credit by entering the federal EITC amount on line 27a and 6% of line 27a on line 27b.

**Michigan Historic Preservation Tax Credit.** This credit provides tax incentives for homeowners, commercial property owners and businesses to rehabilitate historic resources located in the State of Michigan. Taxpayers eligible for this credit will have received a certificate from the State Historic Preservation Office. For projects completed after December 31, 2008, and for which the credit amount is less than $250,000, a qualified taxpayer may make an irrevocable election to forgo the 10-year carryforward period and receive a refund of 90% of the amount exceeding tax liability. See Form 3581, Michigan Historic Preservation Tax Credit, for more information.

**Home Heating Credit claim.** This credit helps low income families pay their home heating costs. Qualifying taxpayers have a homestead in Michigan, own a home or pay rent for the home where they live, and have income under certain levels based on their total exemptions. Full-time students claimed as dependents on another person’s tax return, and taxpayers who lived in a licensed care facility for the entire year, are not eligible for the credit. File Form MI-1040CR-7, Michigan Home Heating Credit Claim, to claim the credit. The credit is filed separately from Form MI-1040. If Form MI-1040CR-7 is mailed in the same envelope as Form MI-1040, do not staple it to the return. See Form MI-1040CR-7 instructions for more information.

**Homestead Property Tax Credit—Form MI-1040CR**

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

- Taxpayer’s homestead (state of domicile) is located in Michigan.
- Taxpayer was a Michigan resident at least six months of 2016.
- Taxpayer paid property taxes or rent on the Michigan homestead.
- Taxpayer was contracted to pay rent, or owns the home in which he or she resided.

A taxpayer can have only one homestead at a time and must be the occupant, as well as the owner or renter. A homestead can be a rented apartment or a mobile home on a lot in a mobile home park.

The credit cannot be claimed if total household resources are over $50,000 or if the taxable value of the home exceeds $135,000 (excluding vacant farmland classified as agricultural). The computed credit is reduced by 10% for every $1,000 (or fraction of $1,000) that total household resources exceed $41,000. See **Refundable amount (line 35)**, page MI-7. If filing a part-year return, annualize total household resources to determine if the limitation applies.

**Taxable value of homestead.** Enter the 2016 taxable value from the 2016 property tax statement or assessment notice. Ask the local treasurer if it is not clear from the statement or assessment what the taxable value is. Farmers should include the taxable value on all land that qualifies for the credit.
**Property taxes levied.** Taxes eligible for the credit include ad valorem property taxes that were levied on the taxpayer's homestead in 2016, including collection fees up to 1% of the taxes, that can be claimed no matter when they are paid. Deduct from 2016 property taxes any refund of property taxes received in 2016 that was a result of a corrected tax bill from a previous year. Do not include the following as property taxes levied.

- Delinquent property taxes (e.g., 2015 property taxes paid in 2016).
- Penalty and interest on late payments of property tax.
- Delinquent water or sewer bills.
- Property taxes on cottages or second homes.
- Association dues.
- Most special assessments for drains, sewers, and roads do not meet specific tests and may not be included.

A taxpayer 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.

School operating taxes are only levied on the non-homestead portion of the property and may not be included in taxes levied when computing the credit.

**Home used for business.** If part of a home is used for business, claim the property taxes on the living area of the homestead, but not the property taxes on the portion used for business.

**Owner-occupied duplexes.** When both units are equal, the taxpayer is limited to 50% 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 to a tenant, must complete two calculations to figure the tax they can claim and base the credit on the lower amount. First, subtract 20% 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 federal Form 1040 and include a copy of Schedule E with the Michigan return.

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

- If gross receipts from farming are greater than total household resources, claim all taxes on unoccupied farmland classified as agricultural. Do not include taxes on farmland that is not adjacent or contiguous to the home or that is leased to another person.
- If gross receipts from farming are less than total household resources and the taxpayer has lived in the home more than ten years, claim the taxes on the home and the farmland adjacent and contiguous to the home.
- If gross receipts from farming are less than total household resources, and the taxpayer has lived in the home less than ten years, claim the taxes on the home and five acres of farmland adjacent and contiguous to the home.

Include any Farmland Preservation Tax Credit in total household resources. Do not claim rent paid for vacant farmland. Farmland owned by a Limited Liability Company (LLC) may not be claimed for a homestead property tax credit by one of the individual members.

**Rent that can be claimed for the credit.** A taxpayer must be under a lease or rental contract to claim rent for the credit. In most cases, 20% of rent paid is considered property tax that can be claimed for the credit. The following are exceptions.

- If a tenant lives in housing on which service fees are paid instead of taxes, 10% of gross rent can be claimed for the credit. If the tenant’s tax share is less than 10%, use the lesser amount.
- If housing is exempt from property tax and no service fee is paid, the tenant is not eligible for the credit. This includes university or college owned housing.
- If housing costs are subsidized, the credit is based on the amount the tenant actually paid.
- If the tenant is a mobile home park resident, claim the $3 per month specific tax on line 10, Form MI-1040CR, and the balance of rent paid on line 11.
- If the taxpayer is a cooperative housing corporation resident member, claim the taxpayer’s share of the property taxes on the building. If the taxpayer lives in a cooperative where resident pay rent on the land under the building, also claim 20% of that land rent. Do not take 20% of the total monthly payment.
- When a tenant pays room and board in one fee, determine the tax that can be claimed for the credit based on square footage. If an apartment or rented home is used for business, claim the rent on the living area of the homestead, but not the rent on the portion used for business.

**Total household resources.** Total household resources are the total income (taxable and nontaxable) of both spouses or of a single person maintaining a household. If the family lived in Michigan, and one spouse earned wages outside Michigan, include the income earned both in and out-of-state in total household resources.

Total household resources include the following items.

- All compensation received as an employee including strike pay, supplemental unemployment benefits, sick pay, or long-term disability benefits.
- Interest and dividend income, including nontaxable interest.
- Net business and net farm income (if total is negative, enter zero).
- Net royalty and net rent income (if total negative, enter zero).
- Retirement, pension, annuity, and individual retirement arrangement (IRA) benefits.
- Net capital gains and losses. Losses cannot exceed $3,000. Include gains realized on the sale of residence whether or not exempt from federal tax.
- Alimony received and other taxable income, including awards, prizes, lottery, bingo, and other gambling winnings over $300, farmland preservation tax credits if not included in net farm income, and forgiveness of debt to the extent included in federal AGI.
- Social Security, Supplemental Security Income (SSI), and Railroad Retirement benefits. Include death benefits and amounts received for minor children and other dependent adults who live with the taxpayer.
- Child support and all payments received as a foster parent.
- Unemployment compensation received during the tax year.
- Gifts in excess of $300 of cash or merchandise received, or expenses paid on behalf of the taxpayer (rent, taxes, utilities, food, medical care, etc.) by family members or friends. Do not include government payments made directly to third parties, such as an educational institution or subsidized housing project.
- Scholarship, stipend, grant, or GI bill benefits and payments made directly to an educational institution.
- Compensation for damages to character or for personal injury or sickness.
- Adoption subsidies.
- An inheritance (except an inheritance from spouse).
- Proceeds of a life insurance policy paid on the death of the insured (except benefits from a policy on spouse).
- Death benefits paid by or on behalf of an employer.
- Minister’s housing allowance.
- Forgiveness of debt, even if excluded from AGI.
- Reimbursement from dependent care and/or medical care spending account.