

SFA

BILL ANALYSIS

Senate Fiscal Agency

• Lansing, Michigan 48909

• (517) 373-5383

Senate Bill 948

Sponsor: Senator Dan L. DeGrow

Committee: Education and Mental Health

JUN 20 1990

Date Completed: 5-9-90

SUMMARY OF SENATE BILL 948 as introduced 5-8-90:

The bill would amend the Income Tax Act to prohibit a taxpayer from claiming a personal exemption that was attributable to a dependent who did not fulfill the minimum school attendance requirements, proposed in Senate Bill 865. If a taxpayer did not fulfill the proposed minimum school attendance requirements, the taxpayer could not claim the \$1,000 deduction for taxpayers who are claimed as dependents by another taxpayer, or the exemption for a dependent whose income is \$1,500 or less.

Under the bill, a taxpayer's signature on a return claiming an exemption or deduction to which this provision applied would be considered written consent for release to the Department of Treasury of the school attendance records of the taxpayer's dependent or the taxpayer, as applicable. Subject to the parental review of a student's record requirements in the Federal Family Educational Rights and Privacy Act, and upon reasonable written request by the Department, a school attendance officer would be required to provide information to the Department about the attendance of the taxpayer's dependent or the taxpayer.

The bill is tie-barred to Senate Bills 864 and 865.

Proposed MCL 206.31

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would lead to an indeterminate increase in income tax revenues and an indeterminate increase in State expenditures. For each dependent who was not fulfilling the requirements of Sections 57, 57a, 57b and 57d of the Social Welfare Act (proposed in Senate Bill 865), the taxpayer would increase his or her State tax liability by \$96.60. The Michigan Department of Education reports that each year approximately 27,000 9th-12th grade students drop out of school. Assuming that one-half of these dependents are from families with a State tax liability leads to an increase in State income tax collections of \$2.6 million. The revenue increase, however, would be larger since the elimination of the exemption would also apply to dependents who had dropped out in previous years. To the extent the bill was effective in reducing the students who drop out, the State revenue increase would be lower.

Offsetting the State income tax increase would be an indeterminate expenditure increase for the State to in-formula school districts. In FY 1989-90, the State will subsidize each student in Detroit's public school system by \$2,654. In Flint, the State subsidy is \$1,897 per student. For each in-formula student who

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stayed in school because of this bill, direct State K-12 expenditures would increase. Since the impact of the bill on the number of students staying in school is unknown, the fiscal impact is indeterminate.

Fiscal Analyst: N. Khouri

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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.