

Legislative Analysis



PERSONAL EXEMPTION FREEZE

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House Bill 5352 (Proposed Substitute H-11)

Sponsor: Rep. George Cushingberry, Jr.

Committee: Tax Policy

Complete to 10-6-09

A SUMMARY OF HOUSE BILL 5352 (Proposed H-11 Substitute)

The bill would amend the Income Tax Act to freeze the amount of the personal exemption for the 2009 and 2010 tax years.

The personal exemption is adjusted each year based on changes in the consumer price index. Indexing would begin again with 2011 tax year.

The amount equal to the difference between the amount collected and the amount that would have been collected but for the freeze would be deposited in the Michigan Future Fund, which would be created as a restricted fund within the State Treasury by a new Section 12 a of the Tobacco Products Tax Act.

Money in the Michigan Future Fund could be expended, upon appropriation, only for one or more of the following:

- Revenue sharing for local units of government.
- Promise Grants.
- State aid to libraries.

MCL 206.30 et al.

FISCAL IMPACT:

This bill would increase income tax revenue by an estimated \$55.0 million in FY 2009-10 and \$31.9 million in FY 2010-11. In FY 2009-10, the School Aid Fund (SAF) would increase by \$13.5 million, the Michigan Future Fund would increase by \$55.0 million, and the General Fund/General Purpose (GF/GP) would decrease by \$13.5 million. In FY 2010-11, the SAF would increase by \$7.8 million, the Michigan Future Fund would increase by \$31.9 million, and the General Fund/General Purpose (GF/GP) would decrease by \$7.8 million.

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