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House Bill 4202 (as reported without amendment)
Sponsor: Representative Steven Lindberg
House Committee: Education
Senate Committee: Education

CONTENT

The bill would amend the Michigan Education Savings Program Act to permit a corporation or a State or local government agency or instrumentality to establish an education savings account, and permit these entities and nonprofit organizations to defer naming a beneficiary for an account.

The bill also would permit distributions from accounts to be made in the form of an electronic funds transfer to an account specified by the designated beneficiary or account holder.

Contributions to accounts currently may be made only in cash or by check, money order, credit card, or any similar approved method. Under the bill, contributions could not be made by money order.

MCL 390.1472 & 390.1477

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would reduce State individual income tax revenue by an unknown and likely negligible amount. The bill would expand the entities allowed to establish a Michigan Education Savings Program account. Contributions to such accounts are tax deductible, subject to certain limits. However, the majority of entities that would be allowed to create accounts under the bill are not entities that would be subject to the individual income tax. The exception would be corporations organized as pass-through entities, such as S-corporations, where the business activity is also reported on the individual income tax returns of affected owners. The amount of reduced revenue would depend upon the number of accounts established under the bill's provisions, as well as the amounts contributed to those accounts. Lower individual income tax revenue would reduce both General Fund and School Aid Fund revenue, although the majority of the impact would be experienced by the General Fund.

Date Completed: 1-26-10

Fiscal Analyst: David Zin