

Legislative Analysis



INCOME TAX RATE REDUCTION; PERSONAL EXEMPTION INCREASE

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5699 (reported without amendment)
Sponsor: Rep. Edward McBroom

House Bill 5700 (reported without amendment)
Sponsor: Rep. Holly Hughes

Committee: Tax Policy
Complete to 6-4-12

A REVISED SUMMARY OF HOUSE BILLS 5699 & 5700 AS REPORTED FROM COMMITTEE

Each bill would amend the Income Tax Act.

The state income tax rate is currently 4.35%. It is scheduled to drop to 4.25% on January 1, 2013. House Bill 5699 would instead reduce the rate to 4.25% on October 1, 2012, three months earlier. (MCL 206.51)

House Bill 5700 would increase the personal exemption to \$3,950 from October 1, 2012, until January 1, 2014; and to at least \$4,000 beginning January 1, 2014. (Proposed MCL 206.30a) As now, the personal exemption would be multiplied by the number of personal or dependency exemptions allowable on a taxpayer's federal income tax return.

The personal exemption currently is \$3,700. That figure is adjusted for inflation annually, beginning January 1, 2013, rounded to the nearest \$100. The bill specifies that the personal exemption would be the inflation-adjusted number derived from current law or the specific figure cited above, whichever is greater. At some point, the current exemption plus inflation will exceed \$4,000, and that higher amount will be the amount of the exemption. [An exemption reduces the amount of income subject to tax.]

The two bills are not tie-barred, meaning they need not both be enacted for either to take effect.

FISCAL IMPACT:

These bills would reduce State revenue by an estimated \$103 million (\$91 million for GF/GP and \$12 million for the School Aid Fund) for FY 2012-13. Also, depending on inflation, these bills would reduce State revenue by an estimated \$36 million in FY 2013-14, \$32 million in FY 2014-15, and \$8 million in FY 2015-16.

For the distribution of the revenue loss, see the chart on the following page.

Estimated Fiscal Impact of HB 5699 and HB 5700
millions of dollars

Fiscal Year	GF/GP	School	
		Aid Fund	Total
2012-13	-91	-12	-103
2013-14	-28	-9	-36
2014-15	-24	-8	-32
2015-16	-6	-2	-8

Legislative Analyst: Chris Couch
Fiscal Analyst: Rebecca Ross
Jim Stansell

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.