



Senate Fiscal Agency
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BILL ANALYSIS



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House Bills 5699 and 5700 (as passed by the House)
Sponsor: Representative Edward McBroom (H.B. 5699)
Representative Holly Hughes (H.B. 5700)
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 6-13-12

CONTENT

House Bills 5699 and 5700 would amend Part 1 of the Income Tax Act to do the following, respectively:

- Reduce the individual income tax rate to 4.25% on October 1, 2012, rather than January 1, 2013.
- Increase the personal exemption to \$3,950 between October 1, 2012, and December 1, 2013, and to \$4,000 beginning January 1, 2014.

The bills are described in detail below.

House Bill 5699

Part 1 of the Act imposes a tax on the taxable income of every person other than a corporation. Between October 1, 2007, and December 31, 2012, the tax rate is 4.35%. The rate is scheduled to decrease to 4.25% on January 1, 2013.

Under the bill, the rate would decrease to 4.25% on October 1, 2012.

House Bill 5700

In the calculation of taxable income, the Act allows a taxpayer to claim a personal exemption of \$3,700 multiplied by the number of personal or dependency exemptions allowable on the taxpayer's Federal income tax return. For each tax year beginning on and after January 1, 2013, the personal exemption must be adjusted for inflation.

Under the bill, for the 2012 tax year and each subsequent tax year, a taxpayer could claim a personal deduction equal to the amount calculated under the current Act or equal to the following amounts multiplied by the number of personal or dependency exemptions allowable on the taxpayer's Federal income tax return, whichever was greater:

- \$3,950 beginning on and after October 1, 2012, and before January 1, 2014.
- \$4,000 beginning on and after January 1, 2014.

MCL 206.51 (H.B. 5699)
Proposed MCL 206.30a (H.B. 5700)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Although the bills are not tie-barred to each other, if both bills were enacted they would reduce General Fund and School Aid Fund revenue by approximately \$102.0 million in FY 2012-13, \$35.0 million in FY 2013-14, \$32.0 million in FY 2014-15, and \$8.0 million in FY 2015-16. The reduction in General Fund revenue would total approximately \$89.0 million in FY 2012-13, \$27.0 million in FY 2013-14, \$24.0 million in FY 2014-15, and \$6.0 million in FY 2015-16, while the reduction in School Aid Fund revenue would total approximately \$13.0 million in FY 2012-13, \$8.0 million in both FY 2013-14 and FY 2014-15, and \$2.0 million in FY 2015-16, as shown in the following table.

Revenue Reduction under House Bills 5699 and 5700
(millions of dollars)

Fiscal Year	General Fund	School Aid Fund	Total
2012-13	89	13	102
2013-14	27	8	35
2014-15	24	8	32
2015-16	6	2	8

The bill would have no impact on local unit revenue or expenditure.

Fiscal Analyst: David Zin

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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.