



Senate Fiscal Agency  
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Senate Bill 402 (as reported without amendment)  
Sponsor: Senator Jack Brandenburg  
Committee: Finance

### **CONTENT**

The bill would amend the Income Tax Act to phase-in a reduction in the individual income tax rate from 4.25% to 3.9% between January 1, 2014, and January 1, 2017.

Under the bill, the current rate of 4.25% would apply through December 31, 2013.

Beginning on January 1, 2014, and each subsequent January 1, the maximum rate would be reduced by 0.1 until the rate was 3.95%. (That is, the rate would be 4.15% in 2014; 4.05% in 2015; and 3.95% in 2016.)

On and after January 1, 2017, the rate would be 3.9%.

MCL 206.51

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill would reduce General Fund revenue by an amount that would increase each year as additional rate reductions took effect. In FY 2013-14, the bill would reduce General Fund revenue by approximately \$143.6 million, while in FY 2014-15, the bill would reduce General Fund revenue by approximately \$371.1 million. By FY 2017-18, the first fiscal year in which no additional rate changes would be implemented, the bill would reduce revenue by approximately \$835.0 million to \$873.5 million.

Revenue to the School Aid Fund would not be affected by the bill. While the School Aid Fund receives a portion of gross income tax collections, the law adjusts the share directed to the School Aid Fund to hold the earmark harmless from changes in the tax rate. As a result, all of the revenue reduction would affect the General Fund.

Date Completed: 1-30-14

Fiscal Analyst: David Zin