



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 402 (as introduced 6-4-13)
Sponsor: Senator Jack Brandenburg
Committee: Finance

Date Completed: 1-28-14

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.

The current rate of 4.25% has been in effect since October 1, 2012. Under the bill, this rate 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.

Fiscal Analyst: David Zin

S1314\sb402sa

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.