



Senate Fiscal Agency  
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## BILL ANALYSIS



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House Bill 4609 (Substitute S-1 as reported)  
Sponsor: Representative Jeff Farrington  
House Committee: Roads and Economic Development  
Senate Committee: Government Operations

**CONTENT**

The bill would amend the Income Tax Act to eliminate the earned income tax credit (EITC) for tax years beginning after December 31, 2014.

The Act allows a taxpayer to credit against the income tax an amount equal to a percentage of the credit that the taxpayer may claim under Section 32 of the Internal Revenue Code (the Federal EITC). Currently, that percentage is 6%.

Under the bill, the percentage would remain 6% until December 31, 2014. For tax years beginning after that date, the percentage would be 0%.

The bill states that it would be retroactive and effective for tax years beginning on and after January 1, 2015.

The bill is tie-barred to Senate Bill 414 (which would amend the Income Tax Act to reduce the individual income tax rate under certain conditions, and direct income tax revenue to the Michigan Transportation Fund). The bill also is tie-barred to House Bills 4612 through 4616 (which would amend, respectively, the Michigan Vehicle Code, Public Act 51 of 1951 (the Michigan Transportation Fund law), the Streamlined Sales and Use Tax Revenue Equalization Act, the Motor Fuel Tax Act, and the Motor Carrier Fuel Tax Act).

(The EITC is a refundable income tax credit for low- to moderate-income working individuals and families. To qualify under Section 32 of the Internal Revenue Code, a taxpayer must meet certain requirements and file a tax return, even if he or she did not earn enough income to be obligated to file a return.)

MCL 206.272

Legislative Analyst: Suzanne Lowe

**FISCAL IMPACT**

The bill would increase State General Fund revenue by approximately \$118.0 million in FY 2015-16 and \$121.5 million in FY 2016-17. As the amount that otherwise would be claimed under the credit increased in future fiscal years, the increase in revenue under the bill also would grow.

Date Completed: 7-1-15

Fiscal Analyst: David Zin