



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 472 (Substitute S-2 as reported)
Sponsor: Senator Walter H. North
Committee: Finance

CONTENT

The bill would amend the Income Tax Act to allow a senior citizen to deduct from taxable income, to the extent included in Federal adjusted gross income, interest, dividends, and capital gains received in a tax year up to \$6,000 for a single return or \$12,000 for a joint return. The provision would apply to the 1996 tax year and thereafter. Currently, under the Act, a senior may deduct interest and dividend income of up to \$1,000 for a single or \$2,000 for a joint return.

The bill is tie-barred to Senate Bills 342 and 545, and to House Bills 4358, 4404, and 4605. Those bills, except House Bill 4404, would amend the Single Business Tax Act to make adjustments to the apportionment formula, the capital acquisition deduction, and the small business credit. House Bill 4404 would amend the Income Tax Act to allow a senior to deduct interest, dividends, and capital gains from taxable income.

Proposed MCL 206.30c

Legislative Analyst: G. Towne

FISCAL IMPACT

Senate Bill 472 and House Bill 4404 (S-1) together would reduce State income tax revenue by an estimated \$33.5 million in FY 1995-96 and \$46.8 million in FY 1996-97. The estimate for FY 1995-96 reflects the fact that the bills would go into effect for the 1996 tax year (January 1, 1996), and therefore would be in effect only for the last three quarters of FY 1995-96. The loss in income tax revenue due to these bills would have an impact on several areas of the overall State budget: General Fund/General Purpose revenue would be reduced by an estimated \$27.1 million in FY 1995-96 and \$36.7 million in FY 1996-97, School Aid Fund revenue would be reduced by \$4.8 million in FY 1995-96 and \$6.7 million in FY 1996-97, and revenue sharing to local units of government would be reduced by \$1.6 million in FY 1995-96 and \$3.4 million in FY 1996-97.

The estimates of the overall revenue loss under these bills are based on interest, dividend and capital gains revenue reported on 1988 Federal income tax returns by senior citizens in Michigan, provided by the Michigan Department of Treasury, and then adjusted using the growth in dividend and interest income and the relative growth in the senior citizen population since 1988, to estimate the 1996 impact. While senior citizens would be able to claim only the pension exemption or the dividend, interest and capital gains exemption under these bills, the above estimates assume that senior citizen taxpayers with both types of income would claim the larger of the two exemptions given their income from pensions, and interest, dividends and capital gains.

Estimated Revenue Loss Under S.B. 472 (S-2) and H.B. 4404 (S-1) (dollars in millions)		
	FY 1995-96	FY 1996-97
Overall Revenue Loss:	\$ 33.5	\$ 46.8
Revenue Loss by Fund:		
General Fund/General Purpose	\$ 27.1	\$ 36.7
School Aid Fund	4.8	6.7
Revenue Sharing	1.6	3.4

Date Completed: 10-18-95

Fiscal Analyst: J. Wortley

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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.