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SFA**BILL ANALYSIS**

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Senate Bill 772 (as introduced 9-29-99)
Sponsor: Senator Dale L. Shugars
Committee: Finance

Date Completed: 5-17-00

CONTENT

The bill would amend the Income Tax Act to allow a taxpayer, beginning in the 1999 tax year, to claim a credit against the tax equal to 50% of total contributions made by the taxpayer in a tax year to "educational organizations".

The maximum credit allowed would be \$100, or \$200 for a joint return. If the credit claimed exceeded the taxpayer's tax liability for the tax year, the portion of the credit that exceeded the tax liability would have to be refunded.

Under the bill, an educational organization would be a school district, local act school district, or intermediate school district, as defined in the Revised School Code; a public school academy operated under the Code; an educational foundation; or a continuing, community, or adult education program operated by a school district or a public school academy.

Proposed MCL 206.267

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would reduce income tax liabilities by an estimated \$21 million for the 2001 tax year (FY 2001-02), which is the first tax year it would be fully in effect. In addition, because this credit would go into effect retroactively in the 1999 tax year, contributions made in 1999 and 2000 could not be claimed under this credit until FY 2000-01, so there would also be some reduction in revenues, of a lesser amount, in FY 2000-01. The estimated \$21 million reduction in income tax revenue in FY 2001-02 would reduce General Fund/General Purpose revenue an estimated \$20 million and School Aid Fund revenue \$1 million.

Fiscal Analyst: J. Wortley

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