



**House
Legislative
Analysis
Section**

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STATE EARNED INCOME CREDIT

House Bill 4283

Sponsor: Rep. Belda Garza

Committee: Tax Policy

Complete to 8-9-01

A SUMMARY OF HOUSE BILL 4283 AS INTRODUCED 2-20-01

The bill would amend the Income Tax Act to allow a taxpayer to claim a credit against the state income tax equal to 25 percent of the earned income credit (EIC) the taxpayer is allowed to claim for federal tax purposes in the same tax year. The credit would be refundable; that is, if the credit exceeded the tax otherwise due, the state treasurer would refund the excess amount without interest. The bill would apply to tax years beginning after December 31, 2000.

[The earned income credit is a refundable credit available under federal tax law. According to instruction booklets, the maximum credit for 2000 taxes was \$3,888 for a person with two qualifying children; \$2,353 for a person with one child; and \$353 for a person with no children. For a person with two or more qualifying children, the credit begins to phase out at \$12,700 and no credit is available at \$31,152 or above. For a person with one child, the credit begins to phase out at \$12,700 and no credit is available at \$27,413 or above. For a person without qualifying children, the phaseout begins at \$5,800 and is not available at \$10,380 or above. There are also other income-related disqualifications. The instruction booklet that accompanies the return form contains a table indicating the size of the credit based on income and family size.]

MCL 206.269

House Bill 4283 (8-9-01)

Analyst: C. Couch

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