



Senate Fiscal Agency  
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**BILL ANALYSIS**

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Senate Bill 393 (Substitute S-3 as reported)  
Sponsor: Senator Dennis Olshove  
Committee: Commerce and Labor

**CONTENT**

The bill would amend the Income Tax Act to allow a "qualified taxpayer", for tax years beginning after December 31, 2005, to claim a credit against the income tax equal to 10% of the first \$10,000 of "eligible expenses" paid in the tax year for courses taken at an "eligible educational institution" that would lead to a postsecondary degree or that were taken to acquire or improve the taxpayer's job skills. If the amount of the credit exceeded the qualified taxpayer's tax liability, the excess portion of the credit would have to be refunded. Money from any other source used to pay for eligible expenses could not be used to calculate the credit allowed under the bill. Amounts deducted under any other section of the Income Tax Act or the Single Business Tax Act could not be used to calculate the credit.

"Qualified taxpayer" would mean an individual who has modified adjusted gross income of less than \$51,000, for a single return, or less than \$103,000 for a joint return; is at least 24 years old; is employed by an "eligible taxpayer" (as that term would be defined by Senate Bill 387) for at least 25 hours per week; and is not a full-time student. For the 2006 tax year and each tax year after that, the maximum income amounts would have to be adjusted annually according to the U.S. consumer price index. (Under Senate Bill 387 (S-3), "eligible taxpayer" would mean a single business taxpayer with an average of 250 or fewer full-time employees.)

"Eligible expenses" would mean tuition or related expenses paid for courses that the qualified employee took during the tax year and for which he or she received academic credit. Eligible expenses would not include any expenses related to courses taken to meet a continuing education requirement for a license or certificate required for the taxpayer's job; sports, games, or hobbies; or noncredit courses. "Eligible educational institution" would mean any college, university, vocational school, or other postsecondary educational institution that is eligible to participate in a student aid program administered by the U.S. Department of Education.

Proposed MCL 206.272

Legislative Analyst: Patrick Affholter

**FISCAL IMPACT**

The bill would reduce income tax revenue by an estimated \$9 million beginning in FY 2006-07. All of this revenue loss would affect the General Fund. The bill would not have any direct impact on local government.

Date Completed: 6-8-05

Fiscal Analyst: Jay Wortley