



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1176 (as enrolled)
Sponsor: Senator Tony Stamas
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 319 of 2006

Date Completed: 1-4-07

RATIONALE

According to the Department of Community Health, about 750 stillbirths occur annually in Michigan. In addition to coping with the trauma of the stillbirth, the parents of a stillborn child face the cost of a funeral, in addition to the prenatal and delivery expenses, and the costs of preparing for a newborn. It was suggested that the parents of a stillborn child should receive an income tax credit to assist them with these expenses.

CONTENT

The bill amended the Income Tax Act to allow a taxpayer to claim a credit in the tax year for which he or she has a certificate of stillbirth from the Department of Community Health, as provided under Section 2834 of the Public Health Code (described below). The credit is equal to 4.5% of the exemption amount for the tax year allowed under Section 30(2) of the Act for a single exemption, rounded up to the nearest \$10 increment. (Section 30(2) allows a personal exemption against the income tax, which was \$3,300 in 2006.)

A taxpayer may claim the credit for tax years beginning after December 31, 2005.

If the amount of the credit exceeds the taxpayer's tax liability for the tax year, the excess portion must be refunded.

The bill took effect on July 20, 2006.

MCL 206.275

BACKGROUND

Section 2834 of the Public Health Code requires that a fetal death occurring in the

State be reported to the State Registrar within five days after delivery. Fetal death reports are permanent vital records and must be incorporated into the State's system of vital statistics. (The Code defines "fetal death" as the death of a fetus that has completed at least 20 weeks of gestation or weighs at least 400 grams. The State Registrar is a person appointed by the Director of the Department of Community Health to administer the system of vital statistics.)

Section 2834 requires the Department, with the information reported to it under these provisions, to create a certificate of stillbirth which must conform as nearly as possible to recognized national standardized forms and include at least the following information:

- The name of the fetus, if it was given a name by the parent or parents.
- The number of weeks gestation completed.
- The date of delivery and weight at the time of delivery.
- The name of the parents.
- The name of the health facility in which the fetus was delivered or the name of the health professional in attendance if the delivery was outside a health facility.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The cost of a funeral in Michigan can range from a few hundred dollars to thousands of dollars, and the typical costs of labor and delivery reportedly are \$3,000 to \$5,000, on

top of prenatal costs. These amounts can present a difficult financial burden for parents who are grieving for a stillborn child, and who do not receive the tax treatment that is extended to the parents of a child who was born alive yet died shortly after birth. Even if that child took only a few breaths, the parents may claim an income tax exemption for the child for the tax year. By allowing the parents of a stillborn child to claim an income tax credit, the bill gives them some relief from economic costs and brings a degree of fairness to the law.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill will reduce income tax revenue by an estimated \$112,000 in FY 2006-07 and FY 2007-08. The credit equals 4.5% of the personal exemption, rounded to the nearest \$10 increment. Given that the personal exemption equaled \$3,300 in 2006, this refundable credit will equal \$150 for the 2006 tax year. According to the Department of Community Health, Michigan has about 750 stillbirths annually. About 80% of this loss in revenue will affect the General Fund/General Purpose budget and the remaining 20% will have an impact on the School Aid Fund. The bill will have no direct impact on local government.

Fiscal Analyst: Jay Wortley

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