

Legislative Analysis



INCOME TAX DEDUCTION: SPOUSES OF ACTIVE DUTY FORCES

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House Bill 5540 (Substitute H-1)

Sponsor: Rep. John Espinoza

1st House Committee: Tax Policy

2nd House Committee: Military and Veterans Affairs and Homeland Security

Complete to 11-20-09

A SUMMARY OF HOUSE BILL 5540 AS REPORTED FROM COMMITTEE

The bill would amend the Income Tax Act to provide a deduction for all compensation earned and received by a taxpayer who is the spouse of an individual called into active duty in the U.S. armed forces for a period longer than 180 days. The deduction would apply to compensation earned while the spouse is on active duty. This means such compensation would not be included in taxable income for state income tax purposes. The deduction would apply to the extent the compensation had been included in adjusted gross income. The deduction is for 2010 and thereafter.

MCL 206.30

FISCAL IMPACT:

The fiscal impact of this bill depends on the number of Michigan income taxpayers who are married to armed forces personnel who are called into active duty for a period longer than 180 days and the compensation earned during the active duty period. This bill would reduce income tax revenue by an estimated \$2 million on a full-year basis and would affect General Fund/General Purpose and School Aid Fund revenue. This bill would have no direct impact on local units of government.

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Fiscal Analyst: Rebecca Ross

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.