Senate Bill 750 (Substitute S-1 as reported)
Sponsor: Senator Marty Knollenberg
Committee: Finance

CONTENT

The bill would amend the City Income Tax Act to do the following:

-- Allow a taxpayer deductions for the full personal and dependency exemptions authorized by Part 1 of the Income Tax Act, instead of under the Internal Revenue Code, or a deduction of a minimum of $600 for each personal and dependency exemption under the rules for determining exemptions and dependents under Part 1 of the Act, instead of under the Internal Revenue Code.

-- Allow a city to provide an exemption of a certain amount for a person with respect to whom a deduction under Part 1 of the Income Tax Act, instead of the Internal Revenue Code, would be allowable to another taxpayer and was therefore not considered to have a personal exemption.

MCL 141.631

FISCAL IMPACT

The bill would have no impact on State revenue or expenditure. However, the bill would prevent an increase in local unit revenue resulting from the passage of Federal tax reform legislation in December 2017.

Without the enactment of this proposal, the Federal tax reform legislation adopted in December 2017 will effectively eliminate the personal exemption under city income taxes. Based on data from 2014, approximately 1.5 million exemptions were claimed with cities under their income tax ordinances (approximately 600,000 resident returns and approximately 900,000 nonresident and part-year resident returns). Statute requires city income tax ordinances to provide a personal exemption of at least $600 per allowable exemption. Several cities, including Battle Creek, Grayling, Hudson, Ionia, Portland, Saginaw, and Springfield, provide exemptions that exceed $600. Based on 2014 data, the increase in local unit revenue attributable to the Federal changes will be approximately $9.9 million under existing law. Thus, the bill would prevent local unit revenue from increasing by $9.9 million per year.

Date Completed: 1-17-18
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