

Senate Fiscal Agency
 P. O. Box 30036
 Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
 Fax: (517) 373-1986
 TDD: (517) 373-0543

Senate Bill 371 (as reported without amendment)
 Sponsor: Senator John J. H. Schwarz, M.D.
 Committee: Appropriations

CONTENT

The bill would amend the Michigan Income Tax Act to repeal the State tuition tax credit as of January 1, 2001. The State tuition tax credit was first available for tax year 1995 for tuition payments made for the academic year 1995-96. The Act allows any Michigan-resident taxpayer with an adjusted gross income of \$200,000 or less to claim a credit for tuition and fees paid by, or on behalf of, a student attending a qualified institution of higher learning. A taxpayer may claim a credit of 8.0% of the sum of all tuition and fees paid, not to exceed \$375 per student for up to four tax years. The Act defines a qualified institution of higher learning as one that meets the following four criteria: a) is located in the State of Michigan; b) has instructional programs that are not composed solely of sectarian instruction or religious worship; c) is recognized by the State Board of Education and appears as an institution of higher learning in the annual publication "Directory of Institutions of Higher Education"; and d) did not increase tuition and fee rates by more than the annual average percentage increase in the U.S. Consumer Price Index (U.S. CPI) in the immediately preceding tax year.

MCL 206.274

FISCAL IMPACT

If the Michigan tuition tax credit were repealed, there would be an increase in State revenue and no impact on revenue for local units of government. The table below shows the amount of State revenue lost due to the tuition tax credit, as well as estimates for FYs 2000-01 and 2001-02. The table also lists the percentage change in the U.S. CPI for each year. For FY 2001-02, the \$32.7 million included in the May 2001 Consensus Revenue Estimate for the tuition tax credit is the amount that would be returned to the State General Fund ending balance if the tuition tax credit were repealed. The Governor and the Senate Appropriations Subcommittees on Community Colleges and Higher Education have recommended appropriating most of the \$32.7 million for community colleges (\$4.66 million), universities (\$23.87 million), and independent colleges (\$1.16 million), with \$3.0 million remaining unallocated.

TUITION TAX CREDIT AND U.S. CPI		
Fiscal Year	Tuition Tax Credit Amount	U.S. CPI
1995-96	\$7,783,474	2.6%
1996-97	12,174,964	2.8
1997-98	12,129,098	3.0
1998-99	22,441,418	2.3
1999-2000	4,813,083	1.6
2000-01*	8,500,000	2.2
2001-02*	32,700,000	3.4
*Consensus Estimate		
Data Source: Michigan Department of Treasury and U.S. Department of Commerce.		

Date Completed: 5-29-01

Fiscal Analyst: E. Jeffries