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**SFA****BILL ANALYSIS**

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Senate Bill 371 (Substitute S-5 as passed by the Senate)  
Sponsor: Senator John J. H. Schwarz, M.D.  
Committee: Appropriations

Date Completed: 9-20-01

## **CONTENT**

The bill would amend the Michigan Income Tax Act to eliminate the State tuition tax credit as of January 1, 2001. The 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. A "qualified institution of higher learning" is one that meets the following criteria: a) is located in 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.

In addition, the bill would make an FY 2001-02 appropriation of \$32.7 million to State community colleges, independent colleges, and universities. The \$32.7 million is based on the colleges' and universities' proportionate share of the total FY 2000-01 base appropriations. The bill would require the community colleges and universities to distribute the \$32.7 million by December 1, 2001, on a per capita basis to all undergraduate students who were enrolled, and paid tuition and fees, for the fall 2001 semester or term. If a community college or university did not certify by October 15, 2001, that it would distribute the dollars in this manner, its appropriation would be reallocated, based on the same percentage that the community college or university received of the total \$32.7 million appropriation, to the community colleges and universities that did comply with the certification requirement. Reallocation of funds from community colleges that failed to comply would be to community colleges; reallocation of university funds would be to universities. The appropriation for independent colleges would be distributed through the "Grant for general degree graduates" line-item, which allocates funds to colleges based on the number of degrees granted to Michigan residents in the prior year.

MCL 206.274

## **FISCAL IMPACT**

If the Michigan tuition tax credit were eliminated, there would be an increase in State revenue and no impact on revenue for local units of government. Table 1 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 eliminated. The Senate has recommended appropriating the \$32.7 million for community colleges (\$5.17 million), universities (\$26.26 million), and independent colleges (\$1.27 million). Table 2 lists the amount for each college and university.

Table 1

<b>TUITION TAX CREDIT AND U.S. CPI</b>		
<b>Fiscal Year</b>	<b>Tuition Tax Credit Amount</b>	<b>U.S. CPI</b>
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
*May 2001 Consensus Estimate		
<b>Data Source:</b> Michigan Department of Treasury and U.S. Department of Commerce.		

Table 2

<b>Universities</b>	<b>SB 371(S-5) Appropriation</b>	<b>Community Colleges (cont.)</b>	
Central	\$1,460,946	Henry Ford	481,326
Eastern	1,425,064	Jackson	139,821
Ferris	902,813	Kalamazoo	324,287
Grand Valley	974,770	Kellogg	228,455
Lake Superior	232,021	Kirtland	36,000
Michigan State	5,299,163	Lake Michigan	118,904
Michigan Tech	898,280	Lansing	616,198
Northern	845,779	Macomb	414,285
Oakland	850,313	Mid Michigan	99,100
Saginaw Valley	444,628	Monroe County	98,056
UM-Ann Arbor	5,910,265	Montcalm	40,836
UM-Dearborn	455,034	Mott	266,436
UM-Flint	391,370	Muskegon	140,427
Wayne State	4,124,506	North Central	43,926
Western	2,043,632	Northwestern	173,962
General Degrees	<u>1,274,969</u>	Oakland	214,733
Subtotal Universities	\$27,533,553	St. Clair County	93,954
<b>Community Colleges</b>		Schoolcraft	193,019
Alpena	\$90,869	Southwestern	149,785
Bay De Noc	112,375	Washtenaw	355,277
Delta	227,253	Wayne County	170,532
Glen Oaks	61,189	West Shore	<u>39,471</u>
Gogebic	51,482	Subtotal Colleges	\$5,166,447
Grand Rapids	184,489	Total Appropriation	\$32,700,000

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.