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BILL ANALYSIS

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Senate Bill 387 (Substitute S-1)
Sponsor: Senator Bruce Patterson
Committee: Commerce and Labor

Date Completed: 5-23-05

CONTENT

The bill would amend the Single Business Tax (SBT) Act to allow certain employers to claim a refundable SBT credit for paying for an employee's postsecondary education expenses.

Specifically, for tax years beginning after December 31, 2005, an "eligible taxpayer" could claim a credit against the SBT equal to 10% of the first \$10,000 of "eligible expenses" paid in the tax year for each "qualified employee", for courses taken at an "eligible educational institution" that would lead to a postsecondary degree or that were taken to acquire or improve the taxpayer's job skills.

If the amount of the credit exceeded the eligible taxpayer's tax liability for a tax year, the excess portion of the credit would have to be refunded.

Money from any other source used to pay for eligible expenses could not be used to calculate the credit allowed under the bill. Amounts deducted under any other section of the SBT Act or the Income Tax Act could not be used to calculate the credit.

"Eligible taxpayer" would mean a taxpayer with an average of 250 or fewer full-time equivalent employees during the tax year in which a credit was claimed under the bill.

"Qualified employee" would mean an individual who is an employee of the eligible taxpayer during the tax year; has modified adjusted gross income of less than \$51,000, if the employee files a single return, or less than \$103,00, if the employee files a joint return; is at least 24 years old; is employed by the eligible taxpayer for at least 25 hours per week; and is not a full-time student as that status is determined by the eligible educational institution.

"Eligible expenses" would mean tuition or related expenses (such as student-activity fees and expenses for course-related books, supplies, and equipment paid directly to the eligible educational institution as a condition for enrollment or attendance) paid for courses that the qualified employee, his or her spouse, and any dependent of the qualified employee took during the tax year and for which he or she received academic credit. Eligible expenses would not include any expenses related to the following types of courses:

- Courses taken to meet a continuing education requirement for a license or certificate required for the taxpayer's job.
- Sports, games, or hobbies.
- Noncredit courses.

“Eligible educational institution” would mean any college, university, vocational school, or other postsecondary educational institution that is eligible to participate in a student aid program administered by the U.S. Department of Education.

For tax years beginning after December 31, 2006, the maximum amounts of adjusted gross income allowed for a qualified employee would have to be adjusted by the percentage increase in the U.S. consumer price index for the immediately preceding calendar year.

Proposed MCL 208.35d

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce single business tax revenue by an estimated \$2 million beginning in FY 2006-07. All of this loss in revenue would affect the General Fund. The bill would have no direct impact on local government.

Fiscal Analyst: Jay Wortley

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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.