

# Legislative Analysis

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## INCOME TAX RATE INCREASE

Mitchell Bean, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 5194 as enrolled**

**Public Act 94 of 2007**

**Sponsor: Rep. Steve Tobocman**

**House Committee: Tax Policy (Discharged from Committee)**

**Senate Committee: None (Placed on General Orders)**

**Complete to 10-5-07**

## A SUMMARY OF HOUSE BILL 5194 AS ENROLLED

The bill amended the Income Tax Act to:

- Raise the income tax rate from 3.9 percent to 4.35 percent as of October 1, 2007.
- Beginning October 1, 2011, reduce the tax rate by 0.1 each year until the rate reaches 3.95 percent. (Rate changes would take effect each October 1.)
- Establish the rate at 3.9 percent on and after October 1, 2015.
- Grant an additional exemption of \$250, for tax years after 2007, for qualified disabled veterans and their dependents. When a dependent files an annual return, the taxpayer or the dependent, but not both, can claim the additional exemption. (A qualified disabled veteran would be a veteran with a service-connected disability incurred or aggravated in the line of duty in the active military, naval, or air service.)
- Appropriate \$100,000 for the 2006-07 fiscal year to the Department of Treasury for implementation of the bill's provisions. (Any amounts not spent in that fiscal year would carry forward in a work project account for the following state fiscal years and not lapse to the General Fund.)

## FISCAL IMPACT:

This bill would increase income tax revenue by an estimated \$744.3 million in FY 2007-08 and \$826.0 million in FY 2008-09. Since the School Aid Fund is held harmless from rate changes, the entire fiscal impact would affect General Fund/General Purpose revenue.

Legislative Analyst: Chris Couch  
Fiscal Analyst: Rebecca Ross  
Jim Stansell

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