

Legislative Analysis



INCOME TAX: PHASED-IN REDUCTION TO 3.9%

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House Bill 5729

Sponsor: Rep. Nancy E. Jenkins

Committee: Tax Policy

Complete to 6-11-12

A SUMMARY OF HOUSE BILL 5729 AS INTRODUCED 6-7-12

The state income tax rate is 4.35%, and under current law is due to drop to 4.25% on January 1, 2013, and remain at that level.

The bill would amend the Income Tax Act (MCL 206.51) so that, instead, the rate would drop to 4.2% as of January 1, 2013, and then continue to decline as follows:

- 4.15% as of January 1, 2014
- 4.10% as of January 1, 2015
- 4.00% as of January 1, 2016
- 3.95% as of January 1, 2017
- 3.90% as of January 1, 2018

FISCAL IMPACT:

As written, the bill would reduce income tax revenue beginning in FY2012-13. Because the percentage of gross income tax revenue earmarked to the School Aid Fund is a function of the tax rate, the percentage will increase as the rate declines to hold the SAF harmless. Thus, the entire impact of the rate cut will affect GF/GP revenue. The annual estimated revenue reductions are summarized in the following table:

	TY2013 FY12-13	TY2014 FY13-14	TY2015 FY14-15	TY2016 FY15-16	TY2017 FY216-17	TY2018 FY17-18	TY2019 FY18-19
Tax Year Income Tax Rate	4.20%	4.15%	4.10%	4.00%	3.95%	3.90%	3.90%
Annual Fiscal Year Revenue Loss (millions)	-\$75.2	-\$174.5	-\$280.3	-\$476.2	-\$619.7	-\$751.1	-\$798.7

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