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BILL ANALYSIS



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Senate Bill 860 (as introduced 3-22-16)
Sponsor: Senator Dave Robertson
Committee: Finance

Date Completed: 11-29-16

CONTENT

The bill would amend the Income Tax Act to allow a taxpayer to deduct from taxable income compensation received in the tax year under the proposed Wrongful Imprisonment Compensation Act for tax years beginning after December 31, 2015.

For a person other than a corporation, estate, or trust, the Act defines "taxable income" as adjusted gross income as defined in the Internal Revenue Code, subject to certain adjustments.

(The Internal Revenue Code defines "adjusted gross income", in the case of individuals, as gross income minus certain deductions, which include, for example, trade and business deductions, losses from the sale or exchange of property, certain retirement savings, and alimony payments.)

For the purpose of calculating taxable income, the bill would allow a taxpayer to deduct, for tax years beginning after December 31, 2015, to the extent included in adjusted gross income, compensation received in the tax year under the proposed Wrongful Imprisonment Compensation Act.

The bill is tie-barred to either Senate Bill 291 or House Bill 4536.

(Both Senate Bill 291 and House Bill 4536 would create the Wrongful Imprisonment Compensation Act, which would allow a person to bring an action for compensation against the State if he or she had been wrongfully convicted under Michigan law and imprisoned in a State correctional facility for a crime he or she did not commit.)

MCL 206.30

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would reduce both General Fund and School Aid Fund revenue by an unknown, but likely minimal, amount that would depend on the number of affected taxpayers, the amount of income the taxpayer received under the Wrongful Imprisonment Compensation Act (including the timing of any payments), and the amount of income from other sources. Based on the estimated impact of the Wrongful Imprisonment Compensation Act, the impact across all years would likely total at least \$500,000, for those already estimated to be eligible for compensation. However, this revenue reduction could be spread over multiple years if compensation were provided in multiple payments over several years. Based on current tax rates, 23.8% of any revenue reduction would lower School Aid Fund revenue, with the General Fund bearing the remaining loss.

Fiscal Analyst: David Zin

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