



Senate Fiscal Agency  
P.O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 764 (as introduced 12-1-21)  
Sponsor: Senator Curtis Hertel, Jr.  
Committee: Finance

Date Completed: 12-8-21

### **CONTENT**

**The bill would amend the Income Tax Act to allow a taxpayer, for tax years beginning on and after January 1, 2022, to deduct an amount equal to the wagering losses claimed by the taxpayer on his or her Federal income tax return for that tax year.**

The Act defines "taxable income" as, for a person other than a corporation, estate, or trust, adjusted gross income (AGI) as defined in the Internal Revenue Code (IRC), subject to certain adjustments. Under the bill, for tax years beginning on and after January 1, 2022, a taxpayer could deduct an amount equal to the wagering losses claimed by the taxpayer under Section 165(d) of the IRC for a tax year on his or her annual Federal income tax return for the same tax year.

(Section 165 of the IRC generally allows a taxpayer to deduct any loss sustained during a taxable year and not compensated for by insurance or otherwise. Under Section 165(d), losses from wagering transactions are allowed only to the extent of the gains from those transactions.)

MCL 206.30

Legislative Analyst: Jeff Mann

### **FISCAL IMPACT**

The bill would reduce individual income tax revenue by approximately \$12.0 million to \$17.0 million per year depending on the future growth in gaming activity. The bill would allow gamblers who gamble in non-Michigan locations not only to deduct losses attributable to Michigan gaming but also would allow them to deduct losses attributable to gaming that did not occur in Michigan.

Under Federal law, gambling losses are deductible for Federal tax purposes for those who are able to itemize their deductions. Itemized deductions, such as state and local tax payments, mortgage interest, charitable contributions exceeding \$300, and medical and dental expenses in excess of 7.5% of income, are taken after Federal adjusted gross income is calculated. Michigan taxable income starts with Federal adjusted gross income and requires certain additions and subtractions. Under current law, Michigan does not allow any Federal itemized deductions to be subtracted when computing Michigan taxable income.

Taxpayers with Michigan tax liabilities related to gaming could be Michigan residents (who gambled exclusively in Michigan or who gambled both in-state and out-of-state) or nonresidents who gambled in Michigan. Federal data indicate that in tax year 2019, gambling

losses deducted for Federal tax purposes totaled \$20.1 billion. The portion of those losses incurred by individuals with a Michigan tax liability is unknown.

Fiscal Analyst: David Zin

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