



**House
Legislative
Analysis
Section**

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**GOVERNOR'S PLAN; INCOME TAX
AMENDMENTS**

House Bills 5106-5108

Sponsors:

Rep. Susan Grimes Munsell (HB 5106)

Rep. Thomas C. Mathieu (HB 5107)

Rep. Jerry Vorva (HB 5108)

Committee: Taxation

Complete to 10-21-93

A SUMMARY OF HOUSE BILLS 5106-5108 AS INTRODUCED 10-13-93

The bills would amend the Income Tax Act (MCL 206.1 et al.) to implement portions of Governor Engler's proposal for school finance reform. The bills would make the following changes beginning with tax year 1994:

-- Eliminate the homestead property tax credit and replace it with a smaller credit for low income senior citizens, handicappers and veterans. The credit would be \$450 for taxpayers with household incomes at or less than 150 percent of the poverty level. For those with higher incomes, the credit would be reduced by \$50, plus an additional \$100 for each \$1,000 increment of household income above the poverty level. (This provision is contained in House Bill 5107, MCL 206.520 and 206.274.)

-- Treat federal, state and local government pension benefits for people who retire after October 1, 1994 in the same manner as other pension income. That is, public pension income would become taxable income, except that the first \$15,000 (increased from \$10,000 under the proposal) of pension income on a joint return, and the first \$7,500 on a single return, would be exempt from taxation. (This provision is contained in House Bill 5108 [MCL 206.30], which is tie-barred to House Bills 4885-4888. Those bills would amend the various retirement system acts to conform to the tax changes.)

-- Eliminate the credit against the state income tax for income tax paid to Michigan cities or to cities in other states. However, state and city income tax refunds and homestead property tax credits could be deducted from income subject to the state income tax if they were included in federal adjusted gross income and had not been deducted from adjusted gross income in a prior year. (This provision is contained in House Bill 5106 [MCL 206.30 and 206.255].)

-- Require banks or financial institutions that submit quarterly estimated income tax payment information through the federal tax deposit system and act as fiduciary for 200 or more taxable trusts to submit Michigan quarterly tax payment information on magnetic tape. Banks or financial institutions that act as fiduciary for 50 to 199 taxable trusts could enter into an irrevocable agreement with the treasury department to submit the information on magnetic tape. Payment of taxes under these provisions would be made through wire transfer. (House Bill 5106, MCL 206.301)

House Bills 5106-5108 (10-21-93)

-- Eliminate revenue sharing distributions to cities, villages, townships and counties from income tax revenue after September 30, 1994. (House Bill 5106, MCL 206.481)

-- Specify that, for fiscal year 1994-95 and thereafter, 38.5 percent of net income tax revenues would be deposited into the state school aid fund. (House Bill 5106, MCL 206.51)