



**House
Legislative
Analysis
Section**

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PERSONAL EXEMPTION INCREASE

House Bills 4232

Sponsor: Rep. Sandra Hill

House Bill 4234

Sponsor: Rep. Eric Bush

Committee: Tax Policy

Complete to 2-1-95

A SUMMARY OF HOUSE BILLS 4232 AND 4234 AS INTRODUCED 1-30-95

The bills would amend the Income Tax Act (MCL 206.30) to increase the personal exemption and index it to inflation. Under the act, taxpayers are permitted to deduct \$2,100 from taxable income for each personal exemption claimed.

House Bill 4234 would increase the personal exemption to \$2,400 for tax years 1995 and 1996 and to \$2,500 for tax years beginning after 1996.

Under House Bill 4232, for tax years after 1997, the personal exemption would be adjusted based on the change from one year to the next in the U.S. consumer price index. The exemption would be adjusted in \$100 increments.

The bill specifies that the exemption would be adjusted by multiplying the personal exemption for the tax year beginning in 1997 by a fraction, the numerator of which would be the U.S. consumer price index for the state fiscal year ending in the tax year for which the adjustment was being made and the denominator of which would be the consumer price index for the 1996-97 state fiscal year. The product would be rounded to the nearest \$100 increment.

The bills are tie-barred to five other bills that are part of a proposed tax reduction package: House Bills 4228, 4229, 4230, 4231, and 4233 (or their Senate equivalents).

House Bills 4232 and 4234 (2-1-95)