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BILL ANALYSIS

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Senate Bill 678 (Substitute S-1)
Sponsor: Senator Loren Bennett
Committee: Appropriations

Date Completed: 11-28-95

SUMMARY OF SENATE BILL 678 (Substitute S-1):

The bill would amend the Income Tax Act to prohibit credit against the State income tax for fees and tuition paid by or on behalf of a student who was incarcerated for 90 days or more during the tax year.

Currently, Michigan taxpayers may deduct tuition paid in the tax year to a Michigan qualified institution of higher learning for undergraduate credits not to exceed \$250 for each student for each tax year. Under the bill, if the student were imprisoned in a State, county, or city jail, or committed to a juvenile facility for a violation that provided for imprisonment or commitment for 90 days or more, at any time during the tax year, the credit could not be claimed.

The bill also would limit the credit to in-state tuition, would clarify that the credit is nonrefundable, and no longer would require the credit to be claimed on a separate form.

In addition, the Senate Higher Education Subcommittee amended the bill to eliminate the requirement that each higher education institution keep its tuition increase at or below the percentage increase in the U.S. Consumer Price Index, in order for its students to be eligible.

MCL 206.30

FISCAL IMPACT

The college tuition tax credit will reduce income tax revenue by an estimated \$9 million in FY 1995-96, based on a preliminary listing of the eligible higher education institutions. This bill would reduce the cost of the credit by an estimated \$0.1 million due to the prohibition against incarcerated students claiming the credit. This bill would increase the cost of the credit by an estimated \$27 million in FY 1995-96 due to the elimination of the link to the U.S. Consumer Price Index.

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