



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

BILL ANALYSIS



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

House Bill 4404 (Substitute S-1 as reported)
Sponsor: Representative Barbara Dobb
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Income Tax Act to allow a senior citizen to deduct from taxable income, to the extent included in Federal adjusted gross income, interest, dividends, and capital gains received in a tax year up to \$6,000 for a single return or \$12,000 for a joint return. The provision would apply to the 1996 tax year and thereafter. The maximum deductions under the bill would be indexed to the rate of inflation in 1997 and thereafter.

Currently, under the Act, a senior may deduct interest and dividend income of up to \$1,000 for a single or \$2,000 for a joint return. The deduction may not be claimed, however, if the senior claims a deduction for certain retirement benefits allowed elsewhere in the Act (retirement income received from service in the armed forces; benefits received from a Federal retirement system, or a public retirement system of the State or a political subdivision of the State; benefits received from a public retirement system created by another state or any of its political subdivisions, if the income tax laws of the other state permit a reciprocal deduction or exemption of a benefit received from this State; and benefits from a retirement annuity policy in which payments are made for life). This restriction would continue to apply under the bill.

The bill is tie-barred to Senate Bills 342, 472, and 545, and to House Bills 4358 and 4605. Those bills, except Senate Bill 472, would amend the Single Business Tax Act to make adjustments to the apportionment formula, the capital acquisition deduction, and the small business credit. Senate Bill 472 (S-2) would amend the Income Tax Act to allow a senior to deduct interest, dividends, and capital gains from taxable income up to \$6,000 for a single return and \$12,000 for a joint return.

MCL 206.30

Legislative Analyst: G. Towne

FISCAL IMPACT

Please see FISCAL IMPACT on Senate Bill 472.

Date Completed: 10-18-95

Fiscal Analyst: J. Wortley

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