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DRUG/HOME HEATING CREDITS: NO GARNISHMENT

House Bill 4199 with committee amendments First Analysis (5-8-97)

Sponsor: Rep. Paul Baade
Committee: Tax Policy

THE APPARENT PROBLEM:

The revenue act requires the Department of Treasury, when a taxpayer is due a refund, to apply that refund to any known tax liability of the taxpayer to the state, to support payments, to a writ of garnishment or other valid court order issued by a court of competent jurisdiction, to a levy of the federal Internal Revenue Service, and to a liability to repay unemployment benefits (in that order). Among the credits that are available under the Income Tax Act are the senior citizens' prescription drug credit and the home heating credit. Both credits are need-based; that is, they are based on the income level of the claimant, and are aimed at low-income persons and families. Some people believe that the Department of Treasury should not be allowed to apply such need-based credits to writs of garnishment, which provide for the satisfaction of private debts.

THE CONTENT OF THE BILL:

The bill would amend the revenue act to specify that a refund based on either the senior prescription drug credit or the home heating credit available under the Income Tax Act could not be applied to a writ of garnishment.

MCL 205.30a

FISCAL IMPLICATIONS:

According to testimony from the Department of Treasury before the House Tax Policy Committee, the bill would cost the department \$5,000 to modify its computers. Otherwise, since the state reportedly does not need a writ of garnishment to capture refunds, there is no cost to the state. (5-7-97)

ARGUMENTS:

For:

The bill aims to protect refunds to low-income taxpayers that are attributable to the senior citizen prescription

drug credit and the home heating credit from writs of garnishment used to satisfy private debts. The bill as written would not affect the capture of any amounts owed to satisfy tax liabilities or child support liabilities, or to repay undeserved unemployment benefits received.

POSITIONS:

The Department of Treasury has no position on the bill. (5-7-97)

Analyst: C. Couch

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