

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bills 1079 through 1083 (as introduced 4-23-98)

Sponsor: Senator Loren Bennett (S.B. 1079)  
Senator Joel D. Gougeon (S.B. 1080)  
Senator Dale L. Shugars (S.B. 1081)  
Senator Mat J. Dunaskiss (S.B. 1082)  
Senator Bill Bullard, Jr. (S.B. 1083)

Committee: Finance

Date Completed: 4-27-98

### **CONTENT**

The bills would amend the Income Tax Act to reduce the State income tax from the current rate of 4.4% to 3.9% over a five-year period. The rate would be reduced by .1% each year beginning in 2000, as follows:

- Senate Bill 1079 provides that the income tax rate would be 4.3% in 2000.
- Senate Bill 1080 provides that the income tax rate would be 4.2% in 2001.
- Senate Bill 1081 provides that the income tax rate would be 4.1% in 2002.
- Senate Bill 1082 provides that the income tax rate would be 4.0% in 2003.
- Senate Bill 1083 provides that the income tax rate would be 3.9% in 2004 and thereafter.

The bills are all tie-barred to each other.

MCL 206.51 et al. (S.B. 1079)  
Proposed MCL 206.51c (S.B. 1080)  
Proposed MCL 206.51d (S.B. 1081)  
Proposed MCL 206.51e (S.B. 1082)  
Proposed MCL 206.51f (S.B. 1083)

Legislative Analyst: G. Towne

### **FISCAL IMPACT**

These bills would reduce income tax revenue by an estimated \$124 million in FY 2000 and \$307 million in FY 2001. By FY 2004, when the income tax rate would decline to 3.9% effective January 1, 2004, income tax revenue would be reduced by an estimated \$968 million. The cumulative reduction in income tax revenue from FY 2000 to FY 2004 would total an estimated \$2.63 billion. This loss in income tax revenue would have an impact on both the General Fund/General Purpose and School Aid Fund budgets. Under current law, the School Aid Fund receives 23% of gross income tax collections and the remaining income tax revenue, after refunds, goes to the General Fund/General Purpose budget. These bills would not change the distribution of income tax revenue. Therefore, 23% of the reduction in income tax revenue resulting from these proposed tax rate reductions would affect the School Aid Fund and the remaining loss in revenue would affect the General Fund/General Purpose budget. The estimated loss in revenue, including the impact by fund, for FY 2000 to FY 2004, is summarized in the following table.

<b>Estimated Fiscal Impact of Senate Bills 1079, 1080, 1081, 1082, 1083</b> (dollars in millions)					
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Current Law Tax Rate	4.4%	4.4%	4.4%	4.4%	4.4%
Proposed Income Tax Rate Reduction: *					
Incremental Reduction	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Cumulative Reduction	-0.1%	-0.2%	-0.3%	-0.4%	-0.5%
Proposed Income Tax Rate	4.3%	4.2%	4.1%	4.0%	3.9%
Estimated Reduction in Revenue:	(\$123.9)	(\$307.2)	(\$507.9)	(\$727.6)	(\$967.8)
% Reduction in Income Tax Revenue	-1.9%	-4.5%	-7.0%	-9.6%	-12.2%
Cumulative Tax Reduction	(\$123.9)	(\$431.1)	(\$939.0)	(\$1,666.6)	(\$2,634.4)
Estimated Impact by Fund:					
General Fund/General Purpose	(\$95.4)	(\$236.5)	(\$391.1)	(\$560.3)	(\$745.2)
School Aid Fund	(28.5)	(70.6)	(116.8)	(167.4)	(222.6)
* Income tax rate reductions would be effective January 1 each year from 2000 to 2004.					

Fiscal Analyst: J. Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.