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INDEX SR. DRUG CREDIT

House Bill 4234

Sponsor: Rep. Doug Spade

Committee: Tax Policy

Complete to 4-29-99

A SUMMARY OF HOUSE BILL 4234 AS INTRODUCED 2-9-99

Public Act 516 of 1988 created a prescription drug credit against the state income tax for low-income senior citizens. People over 65 whose income does not exceed 150 percent of the federal poverty income standards can claim a credit equal to the amount by which their unreimbursed or out-of-pocket expenditures for prescription drugs exceed five percent of their household income; there is a limit of \$600 per person. It is a refundable credit, meaning that it can be claimed even if the taxpayer has no tax liability. Also, there is a \$20 million cap on the total amount of credits in any one year. If credits claimed exceed that amount, credits for senior citizens are reduced on a pro rata basis. House Bill 4234 would amend the Income Tax Act to provide that, beginning with the 1999 tax year, the maximum credit per person be adjusted each year to reflect the percentage increase in the Detroit consumer price index for the immediately preceding calendar year.

MCL 206.273

House Bill 4234 (4-29-99)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.