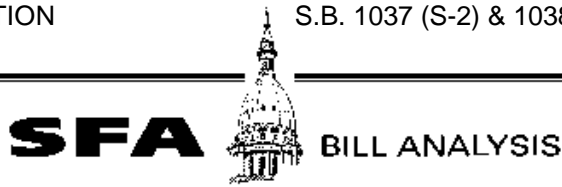


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Senate Bill 1037 (Substitute S-2 as reported)
Senate Bill 1038 (Substitute S-1 as reported)
Sponsor: Senator Bill Bullard, Jr.
Committee: Finance

CONTENT

Senate Bill 1037 (S-2) would amend the Income Tax Act to increase the special exemption for seniors and disabled persons from \$900 to \$1,800; and allow a taxpayer to claim the exemption for dependents who were senior citizens or disabled. Senate Bill 1038 (S-1) would amend the Income Tax Act to define "dependent", for purposes of the special exemption.

Currently, the Act allows a taxpayer to claim a standard personal exemption (currently \$2,800) for each personal and dependent deduction allowed on his or her Federal income tax form. A taxpayer may claim an additional exemption of \$900 for each of the following categories under which he or she qualifies: a) is 65 or older; b) is deaf; c) is paraplegic, quadriplegic, hemiplegic, blind, or (if under 65) totally and permanently disabled; or d) has unemployment compensation that amounts to 50% or more of the taxpayer's Federal adjusted gross income.

Senate Bill 1037 (S-2) provides that for tax years after 1999, a taxpayer could claim an additional exemption of \$1,800 if the taxpayer, or a dependent of the taxpayer, were 65 years old or older. The taxpayer or dependent of the taxpayer, but not both, could claim the additional exemption. Further, the bill would allow a taxpayer to claim another additional exemption if the taxpayer, or a dependent of the taxpayer, were deaf, a paraplegic, a quadriplegic, a hemiplegic, blind, or totally and permanently disabled. The taxpayer or dependent of the taxpayer, but not both, could claim this additional exemption.

The bill would retain the current \$900 exemption for persons with unemployment compensation of 50% or more of Federal adjusted gross income.

Senate Bill 1038 (S-1) provides that, for purposes of the additional exemptions proposed in Senate Bill 1037, "dependent" would mean an individual for whom the taxpayer could claim a dependency exemption on the taxpayer's Federal income tax return, as provided in the Internal Revenue Code.

The bills are tie-barred to each other.

MCL 206.30 (S.B. 1037)
Proposed MCL 206.30c (S.B. 1038)

Legislative Analyst: G. Towne

FISCAL IMPACT

These bills would reduce income tax revenue an estimated \$20.7 million in FY 1999-2000 and \$27.5 million in FY 2000-01, according to the Department of Treasury. This loss in revenue would affect General Fund/General Purpose revenues.

Date Completed: 3-2-00

Fiscal Analyst: J. Wortley