

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bills 1037 and 1038 (as introduced 2-17-00)

Sponsor: Senator Bill Bullard, Jr. (S.B. 1037)

Senator Mike Goschka (S.B. 1038)

Committee: Finance

Date Completed: 2-22-00

CONTENT

Senate Bill 1037 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** would amend the Income Tax Act to define "dependent", for purposes of the special exemption.

Senate Bill 1037

The bill 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, or a hemiplegic; blind; or totally and permanently disabled. The taxpayer or dependent of the taxpayer, but not both, could claim this additional exemption.

Currently, in addition to the standard personal exemption, a taxpayer may claim an exemption of \$900 if he or she is 65 years old or older, deaf, a paraplegic, a quadriplegic, a hemiplegic, blind, or totally and permanently disabled; or has unemployment compensation that amounts to 50% or more of the taxpayer's Federal adjusted gross income. The bill would retain the \$900 exemption for persons with unemployment compensation of 50% or more of Federal adjusted gross income.

Senate Bill 1038

The bill provides that, for purposes of the additional exemptions, "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.

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

Legislative Analyst: G. Towne

FISCAL IMPACT

Senate Bill 1037

The bill 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.

Senate Bill 1038

The new section proposed in Senate Bill 1038, which would define "dependent", is referred to in Senate Bill 1037, but these two bills are not tie-barred. Therefore, by itself, Senate Bill 1038 would have no fiscal impact; however, when combined with Senate Bill 1037, there would be a fiscal impact, which is described

in the analysis for Senate Bill 1037.

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.