
Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5391 (Substitute S-1 as reported by the Committee of the Whole)

Sponsor: Representative Gary Woronchak

House Committee: Tax Policy

Senate Committee: Finance

CONTENT

The bill would amend the Income Tax Act to increase the special exemption for seniors and disabled persons from \$900 to \$1,800; allow taxpayers to claim the exemption for dependents who were senior citizens or disabled; and increase from \$1,000 to \$1,500 the amount a dependent may deduct from taxable income. The bill also would increase from \$900 to \$1,800 the exemption for persons with unemployment compensation of 50% or more of Federal adjusted gross income. The bill is tie-barred to Senate Bill 1038, which would amend the Income Tax Act to define "dependent" for the purposes of the special exemption.

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.

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. Further, the bill would allow a taxpayer to claim another additional exemption of \$1,800 if the taxpayer, or a dependent of the taxpayer, were deaf, a paraplegic, a quadriplegic, a hemiplegic, blind, or totally and permanently disabled. In either case, the taxpayer or dependent of the taxpayer, but not both, could claim the additional exemption.

The bill would increase from \$1,000 to \$1,500, for tax years after 1999, the amount a dependent may deduct from taxable income. Currently, a person who has over \$1,500 Federal adjusted gross income, and who can be claimed as a dependent by another taxpayer, is subject to the State income tax but may deduct \$1,000 from taxable income. A dependent with Federal adjusted gross income of \$1,500 or less is exempt from State income tax liability and does not have to file a return.

MCL 206.30

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would reduce income tax revenue an estimated \$26.2 million in FY 1999-2000 and \$34.9 million in FY 2000-01. This loss in revenue would affect General Fund/General Purpose revenues.

Date Completed: 3-8-00

Fiscal Analyst: J. Wortley