

House Bill 4221
Sponsor: Rep. Chris Kolb
Committee: Tax Policy

Complete to 4-14-03

A SUMMARY OF HOUSE BILL 4221 AS INTRODUCED 2-13-03

The bill would amend the Income Tax Act to allow a taxpayer to claim a credit against the state income tax equal to 25 percent of the earned income credit (EIC) that the taxpayer is allowed to claim for federal tax purposes for the same tax year. The credit would be refundable; that is, if the credit exceeded the tax otherwise due, the state treasurer would refund the excess amount without interest. The bill would apply to tax years after December 31, 2002.

[The earned income credit is a refundable credit available under federal tax law for low income persons. The amount of the credit is based on income and family size. According to instruction booklets, the maximum federal credit for 2002 taxes was \$4,140 for a person with two or more qualifying children; \$2,506 for a person with one child; and \$376 for a person with no children. For a person with two children or more qualifying children, the credit begins to phase out at income levels of \$13,550 and no credit is available at \$33,150. For a person with one child, the credit begins to phase out at \$13,550 and is not available at \$29,200. For a person without qualifying children, the phaseout begins at \$6,150 and no credit is available at \$11,050. The instruction booklet that accompanies the federal tax return form contains a table indicating the size of the credit on a sliding scale based on income and family size.]

MCL 206.269

House Bill 4221 (4-14-03)

Analyst: C. Couch

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