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House Bill 6550 (Substitute S-1 as reported) Sponsor: Representative Bill Huizenga

House Committee: Banking and Financial Services Senate Committee: Families and Human Services

CONTENT

The bill would amend the Individual or Family Development Account Program Act to revise requirements for fiduciary organizations selected to administer program sites; and provide for the role of the Department of Labor and Economic Growth (DLEG).

The Act establishes the Program within the Michigan State Housing Development Authority (MSHDA), and requires it to give eligible individuals and families an opportunity to establish accounts for postsecondary educational expenses, the first-time purchase of a primary residence, and business capitalization. Program sites administer the Program and fiduciary organizations assist program sites and manage participants' reserve accounts (which receive other contributions and provide matching funds). The bill would do the following:

- -- Require MSHDA to establish Program policies and procedures in consultation with DLEG, and approve all activities related to the Program.
- -- Make DLEG responsible for approving fiduciary organizations and program sites and activities concerning programs related solely to accounts to be used for higher education or business capitalization.
- -- Require fiduciary organizations to oversee program sites' reserve accounts, rather than establish and manage them.
- -- Require the administrator of a fiduciary organization to give MSHDA the names of contributors and the amount contributed within 15 days after receiving each contribution, rather than each calendar year.
- -- Require fiduciary organizations to give MSHDA annual reports regarding accounts established for the purchase of a home (rather than all accounts), and to give DLEG annual reports related to accounts established for education or business start-up.
- -- Require MSHDA and DLEG to report jointly to the Secretary of the Senate and the Clerk of the House, and to promulgate rules in consultation with one another.
- -- Permit a taxpayer who is subject to the Michigan Business Tax (MBT) to claim an MBT credit equal to 75% of the contributions made to a reserve fund (as currently permitted for an individual who is subject to the State income tax).

MCL 206.702 et al. Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would permit taxpayers who file the Michigan Business Tax to claim a tax credit for a portion of contributions to a reserve fund of a participating fiduciary institution. Currently, a credit for contributions to a reserve fund is available only to filers under the Income Tax Act, with total credits capped at \$1.0 million per year. The Michigan Business Tax Act does not currently authorize this type of credit, and it is not clear whether allowing an MBT credit

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in the Individual or Family Development Account Program Act, as proposed in this bill, would actually be sufficient to create such a tax credit. It is possible that the credit also would have to be created in the MBT Act, similar to the way the existing income tax credit contained in the Individual or Family Development Account Program Act is also contained in the Income Tax Act. The overall fiscal impact of the proposed new MBT credit would be limited to the amount that income tax credits fall short of the existing \$1.0 million cap, which would apply to both the income tax credit and the MBT credit.

The bill would have no fiscal impact on the Department of Labor and Economic Growth, which includes MSHDA. Staff from the Department have indicated that the proposed changes would not affect current staffing or costs.

Date Completed: 12-10-08 Fiscal Analyst: Elizabeth Pratt

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