



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 4191 (Substitute S-1 as reported)
House Bill 4629 (Substitute S-1 as reported)
Sponsor: Representative Rebekah Warren (H.B. 4191)
Representative Ellen Cogan Lipton (H.B. 4629)
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 9-29-09

RATIONALE

The Michigan Education Trust Act was enacted in 1986 to establish a guaranteed tuition program, under which individuals, businesses, governmental entities, and charitable organizations may prepurchase undergraduate tuition for qualified beneficiaries (residents of the State). Purchasers must enter into a contract with the Michigan Education Trust (MET) and make payments to MET. Payments received from purchasers are deposited into the Advance Tuition Payment Fund, which makes payments on behalf of qualified beneficiaries to State institutions of higher education. Under the MET Act and the Income Tax Act, taxpayers may take an income tax deduction for payments to the Fund. In order to increase the Fund's assets, it has been suggested that individuals and businesses also should be able to make charitable contributions to the Fund and receive a tax deduction for those donations.

CONTENT

House Bills 4191 (S-1) and 4629 (S-1) would amend the Income Tax Act and the Michigan Business Tax Act, respectively, to allow a taxpayer to deduct the amount of a charitable contribution made to the Advance Tuition Payment Fund created under the Michigan Education Trust Act.

House Bill 4191 (S-1) would allow the income tax deduction for the 2010 tax year and each subsequent tax year.

House Bill 4629 (S-1) would allow a taxpayer, for tax years beginning after December 31, 2009, to deduct the amount of a contribution from its business income tax base, to the extent included in Federal taxable income.

MCL 206.30 (H.B. 4191)
208.1201 (H.B. 4629)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The MET Act lists the purposes of the statute and the program, which include encouraging education and the means of education; providing wide and affordable access to State institutions of higher education for Michigan residents; and providing students and their parents with economic protection against rising tuition costs. All of these goals are achieved when people enter into MET contracts for individual students. The purposes of the Act could be accomplished, as well, if individuals and businesses had the opportunity to make tax-deductible contributions to the Fund. Rather than purchasing a contract for a particular student, taxpayers simply could make a charitable contribution without any obligation. These donations would create a pool of money that could be invested with other MET funds and used to pay the tuition

of students who will graduate from high school and go on to college in future years.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

It is estimated that the income tax and Michigan Business Tax deductions for charitable contributions to the Advance Tuition Payment Fund proposed in these bills would have relatively small negative impacts on income tax and Michigan Business Tax revenue. A decrease in income tax revenue would reduce the General Fund and School Aid Fund and a loss of Michigan Business Tax revenue would reduce the General Fund. These bills would have no direct impact on local governments.

Fiscal Analyst: David Zin

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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.