



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



BILL ANALYSIS

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

House Bill 4514 (Substitute H-1 as reported without amendment)

Sponsor: Representative Michael Lahti

House Committee: Tax Policy

Senate Committee: Finance

CONTENT

The bill would amend the Income Tax Act to establish a six-month State residency requirement for a taxpayer to claim the State earned income tax credit (EITC) for tax years beginning after December 31, 2008.

Public Act 372 of 2006 amended the Act to allow a taxpayer to claim an income tax credit equal to a percentage of the credit he or she may claim for a tax year under Section 32 of the Internal Revenue Code (which permits eligible individuals to claim a refundable Federal income tax credit). The percentage that a taxpayer may claim is 10% for tax years beginning during 2008, and 20% for tax years beginning after December 31, 2008.

Under the bill, for a tax year beginning after December 31, 2008, a taxpayer could claim this credit as long as he or she was a resident of the State for at least six months of the same tax year.

MCL 206.272

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Under current law, the earned income tax credit is expected to reduce income tax revenue \$320.0 million in FY 2009-10. The bill would reduce the cost of the credit (increase net income tax revenue) in the range of \$2.0 million to \$4.0 million beginning in FY 2009-10. This reduction in the cost of the refundable earned income tax credit would benefit the General Fund. The bill would have no impact on local governments.

Date Completed: 6-4-09

Fiscal Analyst: Jay Wortley