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BILL ANALYSIS



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Senate Bill 463 (as introduced 9-9-15)
Sponsor: Senator Goeff Hansen
Committee: Finance

Date Completed: 2-2-16

CONTENT

The bill would amend Part 1 of the Income Tax Act to allow a taxpayer to claim a credit against the income tax for tax years beginning after December 31, 2015, equal to the taxpayer's qualified adoption expenses in excess of the amount of credit for qualified adoption expenses the taxpayer claimed under Section 23 of the Internal Revenue Code, or \$1,200 per child, whichever was less.

(Part 1 of the Act imposes a tax on the income of individuals and entities that are not corporations.)

If the credit allowed under the bill for the tax year exceeded the taxpayer's tax liability for the tax year, the excess portion would be refunded.

"Eligible taxpayer" would mean a taxpayer that claimed a credit under Section 23 of the Internal Revenue Code for the same tax year that the taxpayer was claiming a credit under the bill.

"Qualified adoption expenses" would mean adoption expenses that were eligible to be used by an eligible taxpayer to claim a credit against the taxpayer's Federal tax liability under Section 23 of the Internal Revenue Code for the same tax year that the taxpayer was claiming a credit under the bill.

(Section 23 of the Internal Revenue Code allows a tax credit for qualified adoption expenses paid by a taxpayer, including an enhanced credit for the adoption of a child with special needs. The credit is subject to income and dollar limitations. "Qualified adoption expenses" means reasonable and necessary adoption fees, court costs, attorney fees, and other related expenses that meet criteria outlined in the section.)

Proposed MCL 206.268

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would reduce General Fund revenue by approximately \$0.8 million per year. Between tax years 2006 and 2011, the number of individuals claiming a previous credit for adoption expenses declined each year from approximately 800 to 400 and the total amount claimed each year declined from \$1.0 million to \$0.4 million. Although the School Aid Fund receives revenue from the income tax under Part 1 of the Act, credits are applied against the portion received by the General Fund. As a result, all of the reduction in revenue under the bill would lower General Fund revenue.

Fiscal Analyst: David Zin

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