

Legislative Analysis



CITY INCOME TAX CHANGES

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Senate Bill 750 as enacted
Public Act 39 of 2018
Sponsor: Sen. Marty Knollenberg
House Committee: Tax Policy
Senate Committee: Finance
Complete to 3-20-18

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 750 would amend the City Income Tax Act to remove references to the federal Internal Revenue Code and replace them with references to the Income Tax Act, with regard to deductions for the personal and dependency exemptions on city income taxes.

Currently under the City Income Tax Act, when computing taxable income, a taxpayer is allowed deductions for the personal and dependency exemptions authorized by “the federal internal revenue code.”

The bill would remove this language, and instead refer to personal and dependency exemptions authorized by “Part 1 of the Income Tax Act of 1967.” The bill would also refer to “Part 1 of the Income Tax Act of 1967” with regard to a potential exemption for a person with respect to whom a deduction is allowable to another taxpayer.

MCL 141.631

FISCAL IMPACT:

As written, Senate Bill 750 would simply make technical amendments to the City Income Tax Act to change the definition of personal and dependency exemptions. Under current law, personal and dependent exemptions are defined by referencing the federal internal revenue code. However, to prevent any unintended consequences the federal Tax Cut and Jobs Act of 2017 might have toward eliminating the personal exemption in the City Income Tax Act, the definition is changed to reference the state Income Tax Act of 1967. Because the bill would be maintaining the existing personal and dependent exemptions, it would have no fiscal impact.

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