



**Senate Fiscal Agency**  
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## BILL ANALYSIS



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House Bill 4522 (Substitute S-2 as reported by the Committee of the Whole)  
Sponsor: Representative Mary Whiteford  
House Committee: Tax Policy  
Senate Committee: Finance

**CONTENT**

The bill would amend the Income Tax Act to allow a taxpayer to claim an exemption in the tax year for which the taxpayer had a certificate of stillbirth from the Department of Health and Human Services, for tax years beginning on and after January 1, 2019.

In addition, for tax years that began after December 31, 2018, for the purpose of calculating adjusted gross income, the bill would require a taxpayer to deduct, to the extent included in adjusted gross income, compensation received in the tax year under the Wrongful Imprisonment Compensation Act.

MCL 206.30

Legislative Analyst: Drew Krogulecki

**FISCAL IMPACT**

When Michigan previously offered a stillbirth credit, approximately 300 taxpayers claimed the credit per year. Based on this experience, for the stillbirth credit portion of the bill, the bill would reduce individual income tax revenue by approximately \$52,000 per year in tax year 2018, and \$63,000 per year by tax year 2021. The impact on the School Aid Fund and General Fund would depend on whether the bill resulted in lower withholding, estimated payments, and annual payments, or increased refunds. To the extent that the bill resulted in higher refunds, all of the impact would reduce General Fund revenue. However, to the extent that the bill reduced income tax payments, such as annual payments, then 23.8% of the impact would reduce School Aid Fund revenue, with the remaining loss of revenue affecting the General Fund. Depending on how the Department of Treasury interpreted and enforced the bill, it appears that the bill would result in the revenue loss increasing over time. The bill's language would appear to provide the exemption not just in the year in which a taxpayer received a stillbirth certificate, but for every tax year the taxpayer "has" a certificate. As a result, the revenue reduction under the bill could increase rapidly.

The provisions regarding wrongful imprisonment income would reduce General Fund revenue by a negligible amount. Approximately four to five claims have been paid each year and, to date, all claims have been paid as lump sums. Those payments are already exempt from the individual income tax because of exclusions from Federal adjusted gross income as well as provisions in the Wrongful Imprisonment Compensation Act. Because the Homestead Property Tax Credit is capped at a maximum of \$1,200, the maximum impact of these provisions would be \$1,200 per affected taxpayer, or about \$4,800 to \$6,000 per year.

Date Completed: 12-20-18

Fiscal Analyst: David Zin