



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4522 (Substitute H-2 as reported without amendment)
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, 2018.

Except as otherwise provided, the Act states that a personal exemption multiplied by the number of personal and dependency exemptions must be subtracted in the calculation that determines taxable income. The Act allows each taxpayer to claim one personal exemption and a dependency exemption for each individual who is a dependent of the taxpayer for the tax year.

Under the bill, for tax years beginning on and after January 1, 2018, a taxpayer could claim an additional exemption in the tax year for which the taxpayer had a certificate of stillbirth from the Department of Health and Human Services.

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, 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.

Date Completed: 5-10-18

Fiscal Analyst: David Zin