Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4125 (Substitute H-2 as passed by the House)
Sponsor: Representative Scott VanSingel
House Committee: Tax Policy
Appropriations
Senate Committee: Appropriations

Date Completed: 3-17-20

CONTENT

The bill would amend the Income Tax Act to adjust the percentage of the revenue collected from income tax earmarked for the School Aid Fund (SAF), from 0.954% to 1.012%.

Currently, the Act imposes a tax of 4.25% on the taxable income of every person other than a corporation.

Beginning January 1, 2000, and through November 30, 2018, the Act requires 1.012% of the gross collections before refunds from the income tax to be deposited into the SAF. Beginning December 1, 2018, and each State fiscal year thereafter, the Act requires 0.954% of the gross collections before refunds from the income tax to be deposited into the SAF. Under the bill, the 0.954% earmark would apply to December 1, 2018, through September 30, 2019, only. The 1.012% rate would remain in effect for all other dates.

MCL 206.51 & 206.51d

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have no impact on total State revenue but would affect the distribution of individual income tax revenue between the General Fund and the School Aid Fund for fiscal year (FY) 2019-20 and later. Public Act 588 of 2018 amended the earmark of individual income tax to the School Aid Fund to reduce the amount of revenue that would be earmarked in FY 2018-19 and later. The bill would implement a portion of the FY 2019-20 budget agreement by reversing that change for FY 2019-20 and later fiscal years.

Based on the January 10, 2020, Consensus Revenue Estimates, the bill would reduce General Fund revenue, and increase School Aid Fund revenue, by approximately $173.2 million in FY 2019-20, $179.4 million in FY 2020-21, and $183.7 million in FY 2021-22.

The bill would have no impact on local unit revenue.

Fiscal Analyst: David Zin

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