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House Bill 4171 (Substitute H-1 as reported without amendment)

Sponsor: Representative Julie Alexander

House Committee: Tax Policy

Ways and Means

Senate Committee: Finance

CONTENT

The bill would amend the Income Tax Act to allow a widow or widower to claim a tax deduction that would have applied to his or her late spouses if he or she were still alive and the widow or widower had not remarried since the death of his or her spouse.

Part 1 of the Act imposes a tax at the rate of 4.25% on the taxable income of individuals. When determining taxable income, certain limitations and restrictions apply. For a joint return, limitations and restrictions must be applied based on the age of the older spouse filing the joint return. Under the bill, the limitations and restrictions would have to be applied based on the older spouse's date of birth.

Under the bill, if a deduction under Section 30(1)(f) were claimed on a joint return for a tax year in which a spouse died and the surviving spouse had not remarried since the death of that spouse, the surviving spouse would be entitled to claim that deduction in subsequent tax years subject to the same restrictions and limitations, for a single return, that would have applied based on the date of birth of the older of the two spouses. For tax years beginning after December 31, 2019, a surviving spouse born after 1945 who had reached the age of 67 and had not remarried since the death of that spouse could elect to take the deduction that was available against all types of income subject to certain limitations and restrictions based on the surviving spouse's date of birth instead of taking the deduction allowed under Section 30(1)(f), for a single return, based on the date of birth of the older spouse.

MCL 206.30 Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would reduce General Fund and School Aid Fund revenue by an unknown amount, depending on the particular characteristics of affected taxpayers. The number of affected taxpayers also is unknown, but would be limited to circumstances in which a married taxpayer's spouse died and the surviving spouse was enough younger than the deceased that the surviving spouse's income would be treated differently under the individual income tax. For example, if both members of a couple were born before 1946, the death would not change the treatment of the survivor's income. Alternatively, under current law, if one of the couple were born in 1945 and the other were born in 1953, and the older person died, current law would treat the survivor's income differently. Similarly, the income would be treated differently for a couple, both born after 1952, in which the older person was age 67 or older at death, but the surviving spouse had not yet reached the age of 67.

Under current law, approximately 22.45% of gross individual income tax revenue is directed to the School Aid Fund, with any remaining revenue directed to the General Fund.

Date Completed: 3-2-20 Fiscal Analyst: David Zin

Bill Analysis @ www.senate.michigan.gov/sfa

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