



Senate Fiscal Agency  
P.O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 417 (Substitute S-2)  
Sponsor: Senator Wayne Schmidt  
Committee: Finance

Date Completed: 12-8-21

### **CONTENT**

**The bill would amend the Income Tax Act to increase, from 6.0% to 15.0%, the Earned Income Tax Credit, beginning with the 2022 tax year, and then by five percentage points each year until the percentage reached 30.0%.**

Under the Act, a taxpayer may credit against the individual income tax an amount equal to the specified percentages of the credit the taxpayer is allowed to claim as a credit the Federal Earned Income Tax Credit for a tax year on a return filed under the Act for the same tax year. For tax years that begin after December 31, 2011, the specified percentage is 6.0%. Under the bill, this would apply for tax years that began after December 31, 2011, and before January 1, 2022. The bill would increase the percentage as follows:

- For the tax year beginning after December 31, 2021, and before January 1, 2023: 15.0%
- For the tax year beginning after December 31, 2022, and before January 1, 2024: 20.0%.
- For the tax year beginning after December 31, 2023, and before January 1, 2025: 25.0%.
- For tax years that began after December 31, 2024: 30.0%.

MCL 206.272

Legislative Analyst: Jeff Mann

### **FISCAL IMPACT**

The bill would reduce General Fund revenue, with the revenue loss increasing as the allowable percentage of the Federal Earned Income Tax increased. Credits are paid in the fiscal year ending in the year following the tax year they are earned. As a result, the bill would have no effect on fiscal year (FY) 2020-21 revenue or FY 2021-22 revenue but would reduce FY 2021-23 revenue by approximately \$175.1 million, FY 2023-24 revenue by approximately \$268.3 million, FY 2024-25 revenue by approximately \$364.2 million and revenue in FY 2025-26 and later by approximately \$460.0 million per year. The bill would not affect School Aid Fund revenue because individual income tax revenue to the School Aid Fund is based on gross collections, which exclude the revenue impact of tax credits.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.