

Legislative Analysis



INCOME TAX DEDUCTION

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House Bill 6263 (Substitute H-1)
Sponsor: Rep. Marc Corriveau
Committee: Tax Policy

Complete to 9-9-08

A SUMMARY OF HOUSE BILL 6263 AS REPORTED FROM COMMITTEE

The bill would amend the Income Tax Act to allow a taxpayer to take a deduction from taxable income for the amount of a charitable contribution made to the Advance Tuition Payment Fund. This would begin with the 2008 tax year.

The Tuition Payment Fund was created by the Michigan Education Trust Act and is used to hold payments made by purchasers of advance tuition payment contracts on behalf of qualified beneficiaries of those contracts. (These are prepaid tuition contracts typically purchased on behalf of a child by a parent or relative to cover college tuition. They can be purchased by semester, up to a total of eight semesters.)

Currently, the Income Tax Act allows a state income tax deduction for the purchase price of these prepaid tuition contracts. House Bill 6263 would additionally allow a deduction for a contribution not toward the purchase of specific contract but made to the Tuition Payment Fund in general. This is understood to apply to cases where a donor wants to contribute to a project such as adopting a classroom or a group of students to help pay for their college educations.

MCL 206.30

FISCAL IMPACT:

The bill would reduce income tax revenue by an unknown amount.

POSITIONS:

The Department of Treasury testified in support of the bill before the House Tax Policy Committee on 6-25-08.

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