



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

BILL ANALYSIS



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

House Bill 4002 (Substitute H-4 as passed by the House)

Sponsor: Representative

House Committee: Tax Policy

Senate Committee: Committee of the Whole

Date Completed: 3-24-23

CONTENT

The bill would amend the Income Tax Act to increase, from 6.0% to 30.0%, the Earned Income Tax Credit (EITC), beginning with the 2023 tax year, and to specify that a taxpayer who claimed the EITC in the 2022 tax year would be eligible for an additional credit equal to 24% of the amount he or she would be allowed to claim as a Federal EITC in the 2022 tax year.

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 EITC 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, 2023. For tax years beginning after December 31, 2022, the specified percentage would be 30%.

The bill also specifies that, for the 2022 tax year only, a taxpayer who claimed the EITC on his or her individual income tax return for that year would be entitled to an additional credit of 24% of the Federal credit the taxpayer would be allowed to claim for that year. A taxpayer could not claim the additional credit on his or her return or on an amended return. Instead, the Department of Treasury would have to calculate the amount of the additional credit to be added to the taxpayer's return and recalculate the taxpayer's overpayment or tax due for the 2022 tax year. If the Department determined that the taxpayer had overpaid as a result of the additional credit, a refund would have to be made as specified in Section 30 of the Act.

The bill states that it "is intended to be retroactive and applies retroactively effective for tax years beginning on and after January 1, 2022".

MCL 206.272

PREVIOUS LEGISLATION

(Please note: The information contained in this summary provides a cursory overview of previous legislation and its progress. It does not provide a comprehensive account of all previous legislative efforts on the relevant subject matter.)

The bill duplicates a portion of House Bill 4001 from 2023-2024 Legislative Session. That bill was enacted as Public Act 4 of 2023. House Bill 4002 also is a reintroduction of Senate Bill 3 from the 2023-2024 Legislative Session. That bill was passed by the Senate in substantially the same form as House Bill 4002. Other bills throughout the last several sessions have proposed to modify the EITC.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

Based on EITCs filed between tax year 2012 and 2019, the bill would reduce General Fund revenue by approximately \$441.6 million per year beginning in fiscal year 2022-23. The total amount claimed under the Michigan EITC has remained relatively stable, averaging \$110.4 million per year between tax year 2012 and 2019. 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

SAS\S2324\s4002sa

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.