

Legislative Analysis



INCOME TAX DEDUCTION

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House Bill 4191 as introduced
Sponsor: Rep. Rebekah Warren

House Bill 4629 as introduced
Sponsor: Rep. Ellen Cogan Lipton
Committee: Tax Policy

Complete to 4-28-09

A SUMMARY OF HOUSE BILLS 4191 & 4629 AS REPORTED FROM COMMITTEE

The bills provide tax deductions for charitable contributions to the Advance Tuition Payment Fund.

House Bill 4191 amends the Income Tax Act (MCL 206.30) 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 2009 tax year.

House Bill 4629 amends the Michigan Business Tax Act (MCL 208.1201) to allow a similar deduction from business income under the MBT, also starting in 2009.

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 4191 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. House Bill 4629 puts a similar deduction in the MBT Act.

FISCAL IMPACT:

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

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