



**House
Legislative
Analysis
Section**

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DEPENDENT CHILD DEDUCTION

**House Bill 5397 as introduced
First Analysis (11-29-01)**

**Sponsor: Rep. Tom Meyer
Committee: Tax Policy**

THE APPARENT PROBLEM:

Under the Income Tax Act, a taxpayer can deduct from taxable income an additional \$600 for each dependent child under 19 years of age as of the last day of the tax year. The section of the act that contains this deduction is currently known as the "Child Care Act of 1997", and the deduction is known as the child care deduction. According to the report of the Subcommittee on Tax Simplification of the House Tax Policy Committee, this nomenclature confuses some taxpayers who are under the impression that the deduction is for "child care"; that is care provided by a babysitter or day care center. As noted, the deduction is available to anyone who has a dependent child under 19 years of age for whom an exemption is claimed on the tax form. The subcommittee recommended that the income tax instructions, which now refer to a child care deduction, be more explicit as to who qualifies for the credit. At the same time, the subcommittee recommended that the appropriate change be made to the name of the act creating the deduction.

THE CONTENT OF THE BILL:

Under the Income Tax Act, a taxpayer can deduct from taxable income an additional \$600 for each dependent child under 19 years of age as of the last day of the tax year. The section of the act that contains this deduction is currently known as the "Child Care Act of 1997". The bill would change the name to the "Additional Dependent Child Deduction Act".

MCL 206.30d

FISCAL IMPLICATIONS:

The bill would have no fiscal implications to the state or to local governments, according to the House Fiscal Agency. (HFA fiscal note dated 11-27-01)

ARGUMENTS:

For:

The bill would simply provide a more appropriate name for the section of the Income Tax Act that creates the additional deduction for children 18 years of age and younger. It currently has a misleading name, the child care credit. The Subcommittee on Tax Simplification has recommended that the instructions accompanying the state income tax forms make it clear that this deduction is simply for having dependent children and is not related to the costs associated with day care or babysitting. This would make a complementary change to the income tax statute. The deduction would be referred to as the "additional dependent child deduction", reflecting that it is a deduction for having a dependent child and is in addition to the regular exemption for dependent children.

POSITIONS:

There are no positions at present.

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Analyst: C. Couch

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