



A SUMMARY OF HOUSE BILL 5824 AS INTRODUCED 4-9-02

The bill would amend the Income Tax Act to require that several different amounts in the act "be rounded to the nearest \$100 increment". These include the following.

- Senior citizens may deduct from taxable income interest, dividends, and capital gains included in federal adjusted gross income not to exceed \$7,785 for a single return and \$15,570 for a joint return for the 2001 tax year. The deductions were set at \$7,500 and \$15,000 for the 1998 tax year and are adjusted each year based on the increase in the consumer price index. The bill would require that the amounts, after adjusting for inflation, be rounded to the nearest \$100 increment.

- Some taxpayers can claim a credit against the income tax for property taxes paid (based on their status and the ratio of property taxes to household income). This credit is reduced by 10 percent for each \$1,000 or part of \$1,000 by which household income exceeds \$73,650. The bill would specify that for tax years beginning after December 31, 2001, the reduced credit amount would be rounded to the nearest \$100 increment.

- Some taxpayers can claim a home heating credit. There are two methods for calculating the credit. One method (known as the alternative credit) is based on actual heating costs and household income. That method imposes a maximum total cost that can be used in computing the credit. The maximum was set at \$1,190 in 1988 and then is adjusted each year based on a consumer price index for fuels and utilities (not to exceed 10 percent). Currently, the new maximum is rounded to the nearest whole dollar. The bill would require, for tax years beginning after December 31, 2001, that the maximum amount be rounded to the nearest \$100 increment. There is also a maximum household income used in this calculation. (Taxpayers above the maximum are not eligible for the alternative credit calculation.) This maximum is also adjusted annually, with the adjustment based on the increase in the average all urban Detroit consumer price index for all items. This maximum is also currently rounded to the nearest whole dollar, and the bill would require rounding to the nearest \$100 increment for tax years beginning after December 31, 2001.

MCL 206.30 et al.

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■This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.