

INCOME TAX; WORKER FINANCIAL SECURITY ACCOUNT A



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FISCAL ANALYSIS

HOUSE BILL 5764 AS INTRODUCED

Sponsor: Rep. Bruce Patterson
House Committee: Tax Policy

FLOOR ANALYSIS - 5/8/02

Analyst(s): Jim Stansell

HOUSE BILL 5765

Sponsor: Rep. Mickey Mortimer
House Committee: Tax Policy

SUMMARY

House Bill 5764 would establish the Worker Financial Security Account Act, through which a taxpayer may contribute up to \$5,000 (or up to \$10,000 for those filing jointly) to an account (not to exceed \$125,000 total) at a qualified financial institution. Distributions from the account are intended to be used for qualified living expenses in the event the taxpayer receives unemployment benefits or is age 65 or older and retired. Other than some small administrative costs, HB5764 should not have any significant fiscal impact.

House Bill 5765 would amend the Income Tax Act to allow contributions to the account, interest earned by the principal, and qualified distributions from the account to be exempt from the income tax. Given the available information, it is not possible to determine an accurate fiscal impact for HB5765.

However, each \$5,000 contribution to a worker financial security account (and subsequent reduction in taxable income) will reduce income tax revenue by approximately \$200. In 2001, there were more than five million taxpayers that filed state income tax returns in Michigan. As an example, if just one percent (50,000) of these taxpayers opened worker security accounts and contributed the maximum amount, income tax revenues would fall by more than \$10 million. To the extent that a greater number of taxpayers open such accounts, the fiscal impacts would be larger. Almost all of the lost revenue would come from the General Fund.