

Legislative Analysis



STATE INCOME TAX DEDUCTIONS FOR RENAISSANCE ZONE RESIDENTS

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House Bill 5122 (Substitute H-1)
House Bill 5157 as introduced
Sponsor: Rep. Holly Hughes
Committee: Tax Policy

Complete to 12-6-11

A SUMMARY OF HOUSE BILLS 5122 & 5157 AS REPORTED FROM COMMITTEE

The bill would continue indefinitely the state income tax deductions available to residents of renaissance zones.

Generally speaking, renaissance zone residents currently can deduct from taxable income the income (including interest and dividends) they earned while residents of a renaissance zone created under the Renaissance Zone Act of 1996 as long as their gross income does not exceed \$1 million in any tax year. To qualify as a "resident," an individual must live in a renaissance zone for 183 consecutive days.

These deductions are scheduled to end with the 2011 tax year; the section of the Income Tax Act that provides them will be repealed effective January 1, 2012. The repealing of that section (Section 31) was part of the recently enacted comprehensive income tax changes made by Public Act 38 of 2011, House Bill 4361.

House Bill 5122 would, essentially, re-enact current Section 31 of the act, which is to be repealed as of January 1, 2012. The new section would be Section 31a (MCL 206.31a). The bill applies to the 2012 tax year and each subsequent tax year.

House Bill 5157 would make a complementary amendment to the Michigan Renaissance Zone Act (MCL 125.2689)

FISCAL IMPACT:

In TY2009 there were 918 income tax returns filed that claimed an exemption due to living in a renaissance zone, which reduced income tax collections by about \$1.4 million.

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