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BILL ANALYSIS

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House Bills 4480, 4481, 4482, and 4483 (as passed by the House)
House Bill 4484 (Substitute H-1, as passed by the House)
Sponsor: Representative Jud Gilbert, II
House Committee: Tax Policy
Senate Committee: Reforms, Restructuring and Reinventing

Date Completed: 5-6-11

CONTENT

Under current law in the statutes governing the State employees', school employees', legislative, judges', and city library employees' pension systems, there is language exempting from State and other taxes the right of a person to a pension, a retirement allowance, or other retirement benefits, as provided in the respective Acts. This package of bills would amend the respective acts to state that this right would be subject to State tax upon distribution to the person from the various funds created by the Acts, beginning January 1, 2012.

Specifically, House Bill (H.B.) 4480 would amend the State Employees' Retirement Act to make subject to State tax the right of a person to a pension, an annuity, a retirement allowance, and any optional benefit, and any other right accrued or accruing to any person under the Act, beginning January 1, 2012.

House Bill 4481 would amend the Public School Employees Retirement Act to make subject to State tax a retirement allowance, an optional benefit, or any other benefit accrued or accruing to a person under this Act, beginning January 1, 2012.

House Bill 4482 would amend the Michigan Legislative Retirement System Act to make subject to State tax all retirement allowances and other benefits payable under the Act and all accumulated credits of members, deferred vested members, and retirants, beginning January 1, 2012.

House Bill 4483 would amend Public Act 339 of 1927, which establishes a system of retirement allowances for employees of public libraries in cities with populations of at least 250,000, to make subject to State tax the annuities payable to the members of the staff.

House Bill 4484 (H-1) would amend the Judges Retirement Act to make subject to State tax the distributions under Tier 1 or Tier 2 from employer and employee contributions and earnings, beginning January 1, 2012.

MCL 38.40 (H.B. 4480)
38.1346 (H.B. 4481)
38.1057 (H.B. 4482)
38.705 (H.B. 4483)
38.2670 (H.B. 4484)

FISCAL IMPACT

This package of bills would allow provisions of House Bill 4361 to be implemented by removing the exemption language in the retirement statutes. On their own, these bills would have no fiscal impact, since they would not impose taxes, but rather allow for State taxes to be imposed on various retirement allowances and benefits as described above. Please see the fiscal statement for H.B. 4361 for the impact of the taxation legislation.

Fiscal Analyst: Kathryn Summers

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.