



**The Michigan Association of Certified Public Accountants**

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May 26, 2023

House Judiciary Committee  
Anderson House Office Building, Room 521  
124 North Capitol Avenue  
Lansing, Michigan 48933

Honorable Kelly Breen  
Representative of the 21<sup>st</sup> District  
Chair of House Judiciary Committee

Honorable Kimberly Edwards  
Representative of the 12<sup>th</sup> District  
Vice Chair of House Judiciary Committee

Honorable Noah Arbit  
Representative of the 20<sup>th</sup> District  
House Judiciary Committee

Honorable Tyrone Carter  
Representative of the 1<sup>st</sup> District  
House Judiciary Committee

Honorable Emily Dievendorf  
Representative of the 77<sup>th</sup> District  
House Judiciary Committee

Honorable Kara Hope  
Representative of the 74<sup>th</sup> District  
House Judiciary Committee

Honorable Jason Hoskins  
Representative of the 18<sup>th</sup> District  
House Judiciary Committee

Honorable Penelope Tsernoglou  
Representative of the 75<sup>th</sup> District  
House Judiciary Committee

Honorable Andrew Fink  
Representative of the 35<sup>th</sup> District  
Minority Vice Chair of House Judiciary Committee

Honorable Gina Johnsen  
Representative of the 78<sup>th</sup> District  
House Judiciary Committee

Honorable Pat Outman  
Representative of the 91<sup>st</sup> District  
House Judiciary Committee

Honorable Pauline Wendzel  
Representative of the 39<sup>th</sup> District  
House Judiciary Committee

Honorable Doug Wozniak  
Representative of the 59<sup>th</sup> District  
House Judiciary Committee

Melissa Sweet  
Committee Clerk, Michigan House of Representatives  
House Judiciary Committee

Madame Chairwoman and members of the House Judiciary Committee,

Thank you for the opportunity to submit a statement in support of Senate Bill 56.

On behalf of the more than 17,000 members of the Michigan Association of CPAs (MICPA), representing every corner of Michigan's economic marketplace, we express the CPA profession's support of Senate Bill 56, a proposal to update the Michigan Penal Code regarding cohabitation.

The MICPA does not typically get involved in legislative issues surrounding the penal code but this antiquated law has unintended tax implications that have been brought to our attention by tax preparers around the state. A tax preparer must indicate that their client is not in violation of any state law for their client to qualify for various tax credits that they are eligible for, putting our members in the position where they must ask about a client's living situation when preparing their return. As a result, as many as 95,000 Michigan households could be denied benefits due to the cohabitation law currently in place.

Members of the committee, we want to personally thank you for your attention to this issue today. Our profession serves as trusted advisors to their clients and our members stand united in our commitment to protecting the public interest. Please know that the changes proposed will ensure that more Michigan taxpayers will receive the benefits that they have earned.

Because of the cohabitation provision in MCL 750.335, an unmarried Michigan taxpayer cannot claim their partner as a dependent even if they meet all the other tests to claim them. The federal rule, which Michigan follows, prevents claiming someone as a dependent if the relationship violates local law. Only Michigan and Mississippi still have enforceable cohabitation provisions.

CPAs, as well as the Accounting Aid Society, may work with several tax clients who are not married to the stay-at-home mother of their children. They can claim the children but not the mother, unable to claim a \$500 federal credit for other dependents for her and the Michigan income tax exemption of \$5,000. Other tax benefits potentially lost include education credits at the federal level and a portion of the Michigan Home Heating Credit. They have their own reasons for not marrying but shouldn't be treated differently than residents of almost every other state.

It is important to note that this bill only eliminates the violation of local law restriction as a dependency requirement. A partner in an unmarried relationship will still have to meet the other tests for claiming a dependent to be able to claim their partner. Their tax filing status as unmarried individuals will not change. This bill will not provide tax benefits reserved for married individuals such as filing a joint return.

A change in the statute will reduce the burden on Michigan tax preparers in situations involving unmarried couples. If the regular tests are met, preparers won't have to take the additional step to inquire about the intimate nature of the relationship of the parties and taxpayers will not have to provide otherwise private information about their relationship. Accounting Aid Society encounters this issue in its free Volunteer Income Tax Assistance Program. It's a very sensitive topic and not an easy one for our volunteers, or volunteers statewide, to manage.

The Accounting Aid Society conducted a study of recent census data and determined that there were approximately 274,000 cohabitating couples in Michigan. After analyzing the limitations on claiming a dependent partner I determined that as many as 95,000 of these households lose tax benefits because of the Michigan statute. The bottom line is that many Michigan residents are in violation of this law, and many lose tax benefits.

Thank you for your attention to this issue.

Bob Doyle  
CEO and President of the MICPA

Marshall Hunt  
Accounting Aid Society