



**House
Legislative
Analysis
Section**

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TAX CREDIT: FOOD BANKS, ETC.

**House Bill 4862 (Substitute H-2)
First Analysis (11-18-93)**

**Sponsor: Rep. Howard Wetters
Committee: Taxation**

THE APPARENT PROBLEM:

Public Acts 170 and 171 of 1991 extended tax credits for contributions to community foundations (begun in 1989) through the 1994 tax year in the Single Business Tax Act and the Income Tax Act, respectively, subject to a \$6 million cap. (The income tax credit is limited to \$100 for an individual taxpayer or \$200 for a husband and wife filing jointly, and to 10 percent of tax liability or \$5,000, whichever is less, for resident estates or trusts. The SBT credit is limited to 5 percent of tax liability or \$5,000, whichever is less.) At the same time, similar credits were added through 1994 for contributions to food banks and kitchens, homeless shelters, and similar operations. The new credits were made subject to a separate \$1.5 million cap. A credit was not to be available under either act in any tax year if the total amount of credits claimed under both acts had exceeded \$1.5 million for the prior years. The amount of tax credits under the income tax alone for the 1992 tax year (the first year of the credit) exceeded \$3 million, according to tax specialists. This meant that 1992 was the only year in which the credits could legally be claimed. Since the fact that the cap had already been exceeded was not known until well into 1993, and was apparently unexpected, there has been uncertainty about contributions made and solicited for shelters and food banks this year under the impression the credit would be available. Some people have proposed that the cap be lifted and the credit allowed to be available through 1994 unencumbered.

THE CONTENT OF THE BILL:

The bill would amend the Income Tax Act to extend through the 1994 tax year, without a cap on total credits, the credit for shelters to homeless persons, food kitchens, food banks, and other entities with the primary purpose of providing overnight accommodation, food, or meals to the indigent.

MCL 206.261

FISCAL IMPLICATIONS:

A representative of the Department of Treasury has said some \$3.2 million in credits for contributions to homeless shelters and food banks had been claimed under the income tax for 1992, as of July of this year. SBT credit figures are unavailable. Without this bill, and an anticipated future SBT amendment, there would be no credits permitted in 1993 and 1994 for contributions to these operations. So, the bill has fiscal implications, although the estimated total of state revenue that would be lost is not available.

ARGUMENTS:

For:

The bill would permit contributions made to homeless shelters, food banks, and similar operations to be eligible for an income tax credit in 1993 and 1994. Legislation was passed in 1991 allowing this credit through 1994, but a cap on the total of credits was imposed. That cap was exceeded in the very first year of the credit (1992), although this was not known until well into 1993. Some of these organizations are in the process now of holiday fundraising drives and there is confusion over the status of the credit. The bill would not extend the credit beyond the 1994 tax year.

POSITIONS:

The Department of Treasury supports the bill. (11-17-93)