



**House
Legislative
Analysis
Section**

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**EXTEND COMMUNITY FOUNDATION
AND FOOD BANK CREDITS**

**House Bill 5778 with committee
amendments
First Analysis (12-3-96)**

**Sponsor: Rep. Jim McBryde
Committee: Tax Policy**

THE APPARENT PROBLEM:

Under the Income Tax Act, a taxpayer can take a credit for certain contributions, including contributions to a community foundation and to organizations, such as food banks and homeless shelters, that provide overnight accommodation, food, or meals to indigent persons. For contributions to these organizations, a taxpayer can take a credit equal to 50 percent of the contribution, with the credit limited to \$100 for an individual and \$200 for a husband and wife filing jointly. The credit for community foundations dates from the 1989 tax year and for food and shelter organizations from the 1992 tax year. Since they were first created, the credits have carried sunset dates, which have been regularly extended. The credits are currently permitted only through the 1997 tax year. Legislation has been introduced to increase the maximum credit for such contributions, in part based on the expectation that private organizations will be called on in the future to provide more services in an era of new approaches in public welfare programs. Some people also propose eliminating the sunset and extending the credit indefinitely.

THE CONTENT OF THE BILL:

The bill would amend the Income Tax Act to extend indefinitely the tax credit available for contributions to community foundations and to food banks, soup kitchens, and homeless shelters and to increase the size of the credit available, beginning with the 1996 tax year, from \$100 to \$150 for individuals and from \$200 to \$300 for a husband and wife filing jointly.

MCL 206.261

FISCAL IMPLICATIONS:

The House Fiscal Agency has estimated the revenue loss to the state from the increase in the credit at \$1.4 to \$1.7 million annually. (Fiscal Note dated 11-27-96)

ARGUMENTS:

For:

The bill would encourage larger contributions to both community foundations and organizations helping the indigent and homeless by increasing the credit that is available against the state income tax for contributions to such groups. The new approach to welfare that is being implemented, and other changes in attitude toward public assistance, will mean that the work of private, voluntary organizations could become even more important and urgent. Community foundations carry out much of the important private social service work that is likely to become increasingly important. These foundations exist in nearly all areas of the state, where they help to provide vital services in education, crime reduction, housing, health, family services, economic development, and cultural activities, and encourage community problem-solving. And the credit for food banks and kitchens is a vital tool in encouraging financial support for local hunger relief efforts. Moreover, it makes sense to eliminate the sunset date on these credits rather than simply extend them routinely every few years and thus provide more stability and reliability to the organizations that benefit from the availability of the credit.

Against:

There is really no need to address this issue at this time. The credits do not expire until after the 1997 tax year. The legislature should address the issue of charitable giving and the tax treatment of charitable giving comprehensively. There has been no substantial discussion of the value of these credits or their cost. From the beginning of these credits, people have complained about singling out a few kinds of charitable organizations for special favorable treatment. What is the justification for this? No doubt the favored organizations are worthy, but how are they different from scores of other charitable groups? Further, the few other credits in law for contributions, for colleges and universities and public television, carry similar limits on the credits that can be taken. Why increase the limits for two kinds of contributions but not the others?

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POSITIONS:

The Food Bank Council of Michigan has indicated its support for the bill. (11-26-96)

The Department of Treasury is opposed to the bill. (11-26-96)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.