Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 541 (as enrolled)
Sponsor: Senator Joanne G. Emmons
Committee: Finance

Date Completed: 10-31-95

RATIONALE

Currently, under the Federal Domestic Volunteer Service Act, stipends may be given to low-income persons aged 60 or over who serve as foster grandparents to children with special or exceptional needs, disabilities, or chronic health conditions, or who are in homes for dependent or neglected children; or as senior companions to older persons with exceptional needs, including long-term care, home health care, nursing care, nutrition services, and other special needs for companionship. Operated as the National Senior Volunteer Corps, the programs were established by the Federal government in 1973.

The stipends paid to foster grandparents and senior companions may not be counted as income for purposes of Federal or state income taxes, nor may the stipends be used in determining the eligibility of persons for Social Security, Medicare, Medicaid, food stamps, or for other programs. The Domestic Volunteer Services Act provides, "...no payment for supportive services or reimbursement of out-of-pocket expenses made to persons serving...shall be subject to any tax or charge or be treated as wages or compensation for the purposes of unemployment, temporary disability, retirement, public assistance, workers' compensation, or similar benefit payments..." (42 USC 5058). It has been pointed out, however, that the stipends paid to foster grandparents and senior companions must be included as income for purposes of determining the homestead property tax credit and home heating credit, which are credits against Michigan income tax liability (discussed in BACKGROUND). This means, then, that while the stipends paid to volunteers are not counted in determining individual income tax liability or eligibility for certain programs, they are included in the calculation of the credits, and thus they reduce the amount of the credits those persons can receive. Some people feel that the stipends paid to foster grandparents and senior companions should be excluded from income in the calculation of the credits.

CONTENT

The bill would amend the Income Tax Act to provide that stipends received by a person 60 years old or older who was acting as a foster grandparent under the Federal foster grandparent program, or as a senior companion under the Federal senior companion program, would be excluded from consideration as “income” in the calculation of the homestead property tax credit and the home heating credit.

MCL 206.510

BACKGROUND

Under the Income Tax Act, resident taxpayers may claim a homestead property tax credit against the income tax; in general, persons may claim 60% of the amount by which their property taxes, or 20% of rent, exceed 3.5% of "household income". Further, low-income residents who own or rent the home where they live may claim a home heating credit against the income tax, based upon a standard allowance minus 3.5% of "household income". For purposes of determining the credits, household income is the total income of both spouses or a single person maintaining a household, with adjustments; that is, it is the sum of Federal adjusted gross income (AGI) plus all income exempt or excluded from AGI except certain income *specifically* excluded by the Act. Stipends paid to foster grandparents and senior companions are not excluded from income.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The foster grandparent and senior companion programs are long-established, worthwhile volunteer activities that benefit the young and old, both volunteers and recipients. Under the programs, persons aged 60 and older with incomes under 125% of the poverty level can volunteer to serve up to 20 hours per week to work with and care for children with exceptional needs, or older adults who need assistance in their homes. Currently, volunteers receive $2.45 per hour (up to $49 per week maximum) through combined Federal and State funding; the stipend is designed to pay for the out-of-pocket expenses of volunteers. The Federal Act that established the programs excludes the stipends from consideration as income for income tax purposes and for eligibility for certain programs, so that volunteers are not punished for their participation and can avoid negative consequences regarding income taxes and eligibility for social programs. Under the Income Tax Act, however, the stipends must be included as household income for the purpose of calculating both the homestead property tax credit and the home heating credit. In effect, because of the current structure of the credits, seniors at or below the poverty level who volunteer to help children or seniors actually reduce the amounts that they otherwise would be allowed to claim as credits against the income tax. The bill, for very little cost, would eliminate this disincentive to volunteer and encourage those who now volunteer, or those who may want to in the future.

Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would exclude stipends to foster grandparents and senior companions, who are at least 60 years old, from the definition of income in the calculation for the homestead property tax and home heating credits. The estimated revenue impact would be a loss of $120,670 from the General Fund for the homestead property tax credit. Additionally, depending on the Federal and State funding shares, the home heating credit, if extended beyond 1994, could result in a minimal loss from the General Fund.

Fiscal Analyst: R. Ross

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