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SFA**BILL ANALYSIS**

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Senate Bill 705 (Substitute S-3 as reported by the Committee of the Whole)
Sponsor: Senator Joel D. Gougeon
Committee: Finance

CONTENT

The bill would amend the Single Business Tax (SBT) Act to extend indefinitely the community foundation credit, which allows a taxpayer to claim a partial SBT credit for donations to the endowment fund of a community foundation. The bill would delete current language that provides for the expiration of the credit after the 1997 tax year. Further, the bill would place additional qualification requirements on community foundations.

The SBT Act allows a taxpayer to claim 50% of the amount the taxpayer contributes during a tax year, up to the lesser of \$5,000 or an amount that does not exceed 5% of the taxpayer's tax liability, for the community foundation credit. A taxpayer may not claim the credit if the taxpayer claims a community foundation credit under the Income Tax Act.

The bill also would delete from the SBT Act language that allows for a homeless shelter/food bank credit. (This language would be restored in House Bill 4091 (S-2).) The bill is tie-barred to House Bill 4091, which would extend indefinitely the homeless shelter/food bank credit.

Under the Act, an entity must meet certain requirements in order for the Department of Treasury to certify it as a community foundation. Under the bill, a community foundation also would have to be incorporated or established as a trust at least six months before the beginning of the tax year for which a credit was claimed; have an endowment value of at least \$25,000 within six months after being incorporated or established; have an independent governing body that was not appointed by a single entity; give the Department evidence that the community foundation had at least one part-time or full-time paid employee; be subject to an annual independent financial review, and an independent financial audit every three years, and provide copies of the review and audit to the Department within three months after their completion; and, for a community foundation incorporated or established after the bill's effective date, operate in a county that was not served by a community foundation when the community foundation was incorporated or established, or operate as a geographic component of an existing certified community foundation.

MCL 208.38c

Legislative Analyst: G. Towne

FISCAL IMPACT

Senate Bill 705 (S-1) and House Bill 4091 (S-1), which are tie-barred, would extend indefinitely the SBT credits for contributions to homeless shelters and food banks, and contributions to community foundations. Under current law, these credits are due to expire after the 1997 tax year. Under these bills, the SBT revenue currently being foregone due to these credits would continue to be foregone beyond the 1997 tax year. Currently, the credit for contributions to homeless shelters and food banks is reducing SBT revenue by about \$300,000 a year, and the credit for contributions to community foundations is reducing SBT revenue by \$500,000 a year.

Date Completed: 10-7-97

Fiscal Analyst: J. Wortley

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