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INCOME TAX CREDIT: DONATIONS TO CERTAIN CHARITIES

House Bill 4730
Sponsor: Rep. Doug Hart
Committee: Tax Policy

Complete to 9-12-00

A SUMMARY OF HOUSE BILL 4730 AS INTRODUCED 5-25-99

The bill would amend the Income Tax Act to allow a taxpayer to claim a credit for contributions made, generally speaking, to certain qualified charities that provide services to the materially needy, to the developmentally disabled, and to at-risk youth.

Under the bill, a firm could claim an income tax credit equal to the amount of cash, the fair market value of tangible personal property, and the economic value of personal services donated in the tax year to a qualified charity, subject to a maximum credit of \$100 for a single return or \$200 for a joint return. To claim a credit, a taxpayer would have to attach to its annual return a list of each of the qualified charities to which contributions were made and the amounts of the contributions. A taxpayer could not include in the calculation of a credit any amount used to calculate any other credit or deduction under the SBT Act or the Income Tax Act. (A credit directly reduces the amount of taxes owed.) Any portion of the credit that exceeded the tax liability of the taxpayer would not be refunded.

To be a qualified charity, an organization would have to be exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code; and distribute at least 85 percent of funds collected, as determined by the Department of Treasury, to provide services to qualified individuals and families designed to meet the goal of preventing and alleviating poverty. The term "qualified individuals and families" would apply to 1) individuals and families that are materially needy and at 200 percent or less of the federal poverty standards; 2) individuals with a developmental disability or families with a family member with a developmental disability; and 3) families with a family member who is an at-risk youth.

An organization could ask the Department of Treasury to determine if a contribution to a particular group qualified for the credit. The department would have to make the determination and respond within 30 days. The department would be required to conduct a study to determine whether the qualified charities to which contributions had been made for credit purposes in the 2000 tax year met the prescribed goals and report the results of the study to the legislature by July 1, 2001.

MCL 206.268

Analyst: C. Couch

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