

REPRINT

HOUSE SUBSTITUTE FOR

SENATE BILL NO. 796

(As passed the House, May 17, 2000)

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 261 (MCL 206.261), as amended by 1996 PA
484.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 261. (1) For the 1989 tax year and each tax year after
2 1989 and subject to the APPLICABLE limitations in
3 ~~subsections (2) to (6)~~ THIS SECTION, a taxpayer may credit
4 against the tax imposed by this act 50% of the amount the tax-
5 payer contributes during the tax year to an endowment fund of a
6 community foundation or for the 1992 tax year and each tax year
7 after 1992 and subject to the APPLICABLE limitations in
8 ~~subsections (2), (3), and (5)~~ THIS SECTION, a taxpayer may
9 credit against the tax imposed by this act 50% of the cash amount
10 the taxpayer contributes during the tax year to a shelter for

SB 796, As Passed Senate, May 31, 2000

Senate Bill No. 796 as amended May 31, 2000 2

1 homeless persons, food kitchen, food bank, or other entity
2 located in this state, the primary purpose of which is to provide
3 overnight accommodation, food, or meals to persons who are indi-
4 gent if a contribution to that entity is tax deductible for the
5 donor under the internal revenue code.

6 (2) For a taxpayer other than a resident estate or trust,
7 the credit allowed by this section for a contribution to a commu-
8 nity foundation shall not exceed \$100.00, or \$200.00 for a hus-
9 band and wife filing a joint return FOR TAX YEARS BEFORE THE 2000
TAX YEAR AND \$100.00 OR \$200.00 FOR A HUSBAND AND WIFE FILING A
JOINT RETURN FOR TAX YEARS AFTER THE 1999 TAX YEAR. For the 1992
tax year and

10 each tax year after 1992, a taxpayer may claim an additional
11 credit under this section not to exceed \$100.00, or \$200.00 for a
12 husband and wife filing a joint return, for total cash contribu-
13 tions made in the tax year to shelters for homeless persons, food
14 kitchens, food banks, and, except for community foundations,
15 other entities allowed under subsection (1). For a resident
16 estate or trust, the credit allowed by this section for a contri-
17 bution to a community foundation shall not exceed 10% of the
18 taxpayer's tax liability for the tax year before claiming any
19 credits allowed by this act or \$5,000.00, whichever is less. For
20 the 1992 tax year and each tax year after 1992, a resident estate
21 or trust may claim an additional credit under this section not to
22 exceed 10% of the taxpayer's tax liability for the tax year
23 before claiming any credits allowed by this act or \$5,000.00,
24 whichever is less, for total cash contributions made in the tax
25 year to shelters for homeless persons, food kitchens, food banks,
26 and, except for community foundations, other entities allowed
27 under subsection (1). For a resident estate or trust, the amount

03863'99 (H-1) R-1

SB 796, As Passed Senate, May 31, 2000

1 used to calculate the credits under this section shall not have
2 been deducted in arriving at federal taxable income.

3 (3) The credits allowed under this section are nonrefundable
4 so that a taxpayer shall not claim under this section a total
5 credit amount that reduces the taxpayer's tax liability to less
6 than zero.

7 (4) As used in this section, "community foundation" means an
8 organization that applies for certification on or before ~~April 1~~ MAY
15
9 of the tax year for which the taxpayer is claiming the credit and
10 that the department certifies for that tax year as meeting all of
11 the following requirements:

12 (a) Qualifies for exemption from federal income taxation
13 under section 501(c)(3) of the internal revenue code.

14 (b) Supports a broad range of charitable activities within
15 the specific geographic area of this state that it serves, such
16 as a municipality or county.

17 (c) Maintains an ongoing program to attract new endowment
18 funds by seeking gifts and bequests from a wide range of poten-
19 tial donors in the community or area served.

20 (d) Is publicly supported as defined by the regulations of
21 the United States department of treasury, 26
22 C.F.R. 1.170A-9(e)(10). TO MAINTAIN CERTIFICATION, THE COMMUNITY
23 FOUNDATION SHALL SUBMIT DOCUMENTATION TO THE DEPARTMENT ANNUALLY
24 THAT DEMONSTRATES COMPLIANCE WITH THIS SUBDIVISION.

25 (e) Is not a supporting organization as ~~defined under~~ AN
26 ORGANIZATION IS DESCRIBED IN section 509(a)(3) of the internal

SB 796, As Passed Senate, May 31, 2000

Senate Bill No. 796 4

1 revenue code and the regulations of the United States department
2 of treasury, 26 C.F.R. 1.509(a)-4 and 1.509(a)-5.

3 (f) Meets the requirements for treatment as a single entity
4 contained in the regulations of the United States department of
5 treasury, 26 C.F.R. 1.170A-9(e)(11).

6 (g) ~~is~~ EXCEPT AS PROVIDED IN SUBSECTION (6), IS incorporated or
established as a trust ~~before~~
7 ~~September 1 of the year immediately preceding the tax year for~~
8 ~~which the credit is claimed~~ AT LEAST 6 MONTHS BEFORE THE BEGIN-
9 NING OF THE TAX YEAR FOR WHICH THE CREDIT UNDER THIS SECTION IS
10 CLAIMED AND THAT HAS AN ENDOWMENT VALUE OF AT LEAST \$100,000.00
11 BEFORE THE EXPIRATION OF 18 MONTHS AFTER THE COMMUNITY FOUNDATION
12 IS INCORPORATED OR ESTABLISHED.

13 (H) HAS AN INDEPENDENT GOVERNING BODY REPRESENTING THE GEN-
14 ERAL PUBLIC'S INTEREST AND THAT IS NOT APPOINTED BY A SINGLE OUT-
15 SIDE ENTITY.

16 (I) PROVIDES EVIDENCE TO THE DEPARTMENT THAT THE COMMUNITY
17 FOUNDATION HAS, BEFORE THE EXPIRATION OF 6 MONTHS AFTER THE COM-
18 MUNITY FOUNDATION IS INCORPORATED OR ESTABLISHED, AND MAINTAINS
19 CONTINUALLY DURING THE TAX YEAR FOR WHICH THE CREDIT UNDER THIS
20 SECTION IS CLAIMED, AT LEAST 1 PART-TIME OR FULL-TIME EMPLOYEE.

21 (J) FOR COMMUNITY FOUNDATIONS THAT HAVE AN ENDOWMENT VALUE
22 OF \$1,000,000.00 OR MORE ONLY, THE COMMUNITY FOUNDATION IS
23 SUBJECT TO AN ANNUAL INDEPENDENT FINANCIAL AUDIT AND PROVIDES
24 COPIES OF THAT AUDIT TO THE DEPARTMENT NOT MORE THAN 3 MONTHS
25 AFTER THE COMPLETION OF THE AUDIT. FOR COMMUNITY FOUNDATIONS
26 THAT HAVE AN ENDOWMENT VALUE OF LESS THAN \$1,000,000.00, THE

SB 796, As Passed Senate, May 31, 2000

Senate Bill No. 796 5

1 COMMUNITY FOUNDATION IS SUBJECT TO AN ANNUAL REVIEW AND AN AUDIT
2 EVERY THIRD YEAR.

3 (K) IN ADDITION TO ALL OTHER CRITERIA LISTED IN THIS SUBSEC-
4 TION FOR A COMMUNITY FOUNDATION THAT IS INCORPORATED OR ESTAB-
5 LISHED AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED
6 THIS SUBDIVISION, OPERATES IN A COUNTY OF THIS STATE THAT WAS NOT
7 SERVED BY A COMMUNITY FOUNDATION WHEN THE COMMUNITY FOUNDATION
8 WAS INCORPORATED OR ESTABLISHED OR OPERATES AS A GEOGRAPHIC COM-
9 PONENT OF AN EXISTING CERTIFIED COMMUNITY FOUNDATION.

10 (5) An entity other than a community foundation may request
11 that the department determine if a contribution to that entity
12 qualifies for the credit under this section. The department
13 shall make a determination and respond to a request no later than
14 30 days after the department receives the request.

(6) A TAXPAYER MAY CLAIM A CREDIT UNDER THIS SECTION FOR CONTRIBUTIONS TO A COMMUNITY FOUNDATION MADE BEFORE THE EXPIRATION OF THE 18-MONTH PERIOD AFTER A COMMUNITY FOUNDATION WAS INCORPORATED OR ESTABLISHED DURING WHICH THE COMMUNITY FOUNDATION MUST BUILD AN ENDOWMENT VALUE OF \$100,000.00 AS PROVIDED IN SUBSECTION (4)(G). IF THE COMMUNITY FOUNDATION DOES NOT REACH THE REQUIRED \$100,000.00 ENDOWMENT VALUE DURING THAT 18-MONTH PERIOD, CONTRIBUTIONS TO THE COMMUNITY FOUNDATION MADE AFTER THE DATE ON WHICH THE 18-MONTH PERIOD EXPIRES SHALL NOT BE USED TO CALCULATE A CREDIT UNDER THIS SECTION. AT ANY TIME AFTER THE EXPIRATION OF THE 18-MONTH PERIOD UNDER SUBSECTION (4)(G) THAT THE COMMUNITY FOUNDATION HAS AN ENDOWMENT VALUE OF \$100,000.00, THE COMMUNITY FOUNDATION MAY APPLY TO THE DEPARTMENT FOR CERTIFICATION UNDER THIS SECTION.

15 (7) ~~(6)~~ On or before July 1 of each year, the department shall
16 report to the house committee on tax policy and the senate
17 finance committee the total amount of tax credits claimed under
18 this section and under section 38c of the single business tax
19 act, ~~Act No. 228 of the Public Acts of 1975, being~~
20 ~~section 208.38c of the Michigan Compiled Laws 1975 PA 228, MCL~~
21 208.38C, for the immediately preceding tax year.