

**INCOME TAX CREDIT:  
EDUCATIONAL FOUNDATIONS**

**House Bill 4072**  
**Sponsor: Rep. Michael Bishop**  
**Committee: Tax Policy**

**Complete to 3-7-01**

**A SUMMARY OF HOUSE BILL 4072 AS INTRODUCED 1-31-01**

The bill would amend the Income Tax Act to provide a credit equal to 50 percent of the amount a taxpayer contributes during the tax year to an educational facility or organization, not to exceed \$100 or, for a husband and wife filing jointly, \$200. The term “educational facility or organization” would mean either 1) an educational foundation or 2) a continuing education, community education, or adult education program operated by a school district or a public school academy (charter school).

A resident estate or trust’s credit could not exceed 10 percent of the year’s tax liability or \$5,000, whichever was less, and the contribution could not have been deducted in arriving at federal taxable income.

The bill would amend Section 260 of the act and put contributions to an educational facility or organization in the same category as contributions to public libraries, public broadcast stations, institutions of higher learning, the Michigan Colleges Foundation, various public artwork donations, the state museum, and the state archives. The contribution limit applies to the aggregate amount given to all such organizations.

The bill specifies that a contribution to an entity listed under Section 261 could not be used to calculate a credit under the bill. Section 261 contains existing credits for contributions to community foundations and to shelters for homeless persons, food kitchens, food banks, and other entities in the state whose purpose is to provide overnight accommodation, food, or meals to the indigent. The credit limit in that section is separate from the credit limit in Section 260.

**Educational Foundation.** An education foundation would mean an organization that applied for certification on or before April 1 of the tax year for which the taxpayer was claiming a credit; that annually submitted documentation to the Department of Treasury demonstrating continued compliance with the requirements of the bill; and that the department certified for that tax year as meeting all of the following requirements:

- qualified for exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code;
- maintained an ongoing program to attract new funds by seeking gifts and bequests from a wide range of potential donors in the community or area served;

- exclusively dedicated all funds, gifts, and bequests to a school district or public school academy or a foundation described in Sections 509(a)(1) or 509(a)(3) of the Internal Revenue Code that was located in the community or area served and located in the state;
- was publicly supported as defined by the regulations of the United States Department of Treasury;
- met the requirements for treatment as a single entity contained in federal treasury regulations;
- was incorporated or established as a trust at least six months before the beginning of the tax year for which the credit was being claimed;
- had an independent governing body representing the general public's interest and that was not appointed by a single outside entity; and
- was subject to a program review each year and an annual independent financial audit every three years and provided copies of reviews and audits to the Department of Treasury not more than three months after they were completed.

MCL 206.260

Analyst: C. Couch

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■ 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.