

INCOME TAX CREDIT; EDUCATIONAL FOUNDATIONS



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FISCAL ANALYSIS

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HOUSE BILL 4072 H-2

Sponsor: Rep. Michael D. Bishop

First House Committee: Tax Policy

FLOOR ANALYSIS - 2/20/02

Analyst(s): Jim Stansell

SUMMARY

House Bill 4072 would amend the Income Tax Act to allow a credit for taxpayer contributions to an educational facility or organization. The credit would equal 50% of the contribution with a maximum of \$200 for a joint return and \$100 for a single taxpayer.

Based on 2000 tax year data, the current public contributions credit is claimed by roughly 284,000 filers, and reduces income tax revenue by about \$25 million. Of those claiming the credit, about 25% currently reach the \$100/\$200 limit.

There is not sufficient data to determine exactly how many additional credits would be taken under the new provisions. However, the National Center for Charitable Statistics compiles tax return data for all non-profit entities in Michigan, including educational foundations. Based on data from the 1999 tax year, the estimated fiscal impact of HB4072 would be to lower income tax revenue by an additional \$15 million during the first year, and by at least an additional \$20 million in subsequent years.