



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1269 (Substitute S-1 as passed by the Senate)
Senate Bill 1270 (Substitute S-2 as passed by the Senate)
Sponsor: Senator Valde Garcia
Committee: Senior Citizens and Veterans Affairs

Date Completed: 8-13-04

RATIONALE

When members of the National Guard and U.S. armed forces reserves are called to active duty, their families may have to make financial sacrifices. Although the troops receive military pay while performing active duty service, they often have to forego their civilian salaries. While a family's income may drop substantially during this time, the family still incurs regular expenses such as rent or mortgage payments and utility bills, and may face unexpected costs such as car repairs. It has been proposed that a fund be established to assist the families of Michigan's active duty National Guard and military reserve members, and that it be funded through a voluntary checkoff on income tax returns.

CONTENT

Senate Bill 1269 (S-1) would create the "Military Family Relief Fund Act", and Senate Bill 1270 (S-2) would amend the Income Tax Act, to do the following:

- Establish the "Military Family Relief Fund" and provide for grants from the Fund to a "qualified individual" or his or her family.
- Require the Department of Military and Veterans Affairs (DMVA) to review grant applications and distribute money from the Fund.
- Allow a taxpayer to designate on his or her annual return a contribution of \$1 or more toward the Fund.
- Allocate 80% of the money designated on annual tax returns to the Military Family Relief Fund and 20% to the Post Fund and

Posthumous Fund of the Michigan Soldiers' Home.

Senate Bill 1270 (S-2) is tie-barred to either Senate Bill 1269 or House Bill 5954, which also would create the Military Family Relief Fund Act and establish a grant program.

Senate Bill 1269 (S-1)

The bill would define "qualified individual" as an individual who is or was a member of a reserve component of the U.S. armed forces based in Michigan or who is a Michigan resident serving in a reserve component in another state and is called to active duty as a result of national response to September 11, 2001, or a national emergency declared by the President and for which Federal funds are spent. A qualified individual's family would have to be able to document the need for financial assistance for clothing, food, housing, utilities, medical services or prescriptions, insurance payments, vehicle payments, or other related necessities if the need occurred either during the time the individual was on active duty or because the individual incurred a line-of-duty injury or illness. ("Reserve components of the U.S. armed forces" would include the Army or Air National Guard and the Army, Naval, Marine Corps, Air Force, and Coast Guard Reserves.)

A qualified individual or his or her family could apply for more than one grant in any year. The DMVA would have to determine criteria and review applications for grants. Within 30 days of receiving an application,

the DMVA would have to notify the applicant of one of the following:

- The applicant was eligible for a grant, the date when he or she would receive it, and the amount.
- The applicant was eligible, but no funds were available, and the application would be kept on file until money became available.
- The applicant was not eligible and the reasons why.

Within the first 30 days of each calendar year, the DMVA would have to begin distributing the money that was in the Fund at the end of the immediately preceding fiscal year until the Fund was exhausted. A qualified individual and his or her family could not receive more than \$2,000 from the Fund in any one calendar year, although the DMVA could waive that limit if it determined that the individual or family was in an emergency situation or had extreme needs.

Each year that the contribution designation under Senate Bill 1270 was in effect, an amount equal to the cumulative designations, plus interest and dividends, would have to be appropriated from the General Fund to the Military Family Relief Fund for use solely in support of the purposes provided in the proposed Act. No money from the Fund could be used to administer the Fund or implement Section 438 of the Income Tax Act (which Senate Bill 1270 proposes), and the DMVA could not use Fund money to replace funds otherwise designated to support similar programs.

Senate Bill 1270 (S-2)

The bill provides that, for tax years beginning after December 31, 2003, and before January 1, 2008, a taxpayer could designate on his or her annual return that a contribution of \$1 or more of his or her refund be credited to the Military Family Relief Fund. If a taxpayer's refund were not sufficient to make a contribution, the taxpayer could designate a contribution amount, which would be added to his or her tax liability for the year.

An amount equal to the cumulative designations, minus the amount appropriated to the Department of Treasury to implement the bill, would have to be

distributed each fiscal year to the DMVA. Of that distribution, 80% would have to go to the proposed Military Family Relief Fund and 20% to the Post Fund and Posthumous Fund of the Michigan Soldiers' Home (the Michigan Veterans' Facilities). Money appropriated under the bill would have to be in addition to any allocations and appropriations and would be "intended to enhance appropriations from the general fund and not to replace or supplant those appropriations".

The contribution designation would have to be clearly and unambiguously printed on the first page of all State individual income tax return forms, if practicable.

MCL 206.438 (S.B. 1270)

BACKGROUND

Illinois Program

Early in 2003, the State of Illinois enacted legislation creating a Military Family Relief Fund to provide grants to the families of National Guard and U.S. armed forces reserve troops called to active duty. The Illinois fund is supported by donations collected through a state income tax return checkoff, beginning with returns for the 2003 tax year, as well as an initial \$5 million appropriation and private contributions. The Illinois statute authorizes that state's Department of Military Affairs to receive and distribute all donations. The Department established eligibility criteria for three types of grants: status-based; need-based; and casualty based. Grants are awarded on a first-come, first-served basis, with final authority to disburse grants resting with the Illinois Adjutant General.

Reportedly, legislation to enact similar military family relief funds is pending in several other states.

Post and Posthumous Funds

The Michigan Soldiers' Home was established in statute in 1885. The statute states that references in law to the Michigan Soldiers' Home are to be considered references to the Michigan Veterans' Facility. The Michigan Veterans' Facility in Grand Rapids and the D.J. Jacobetti Michigan Veterans' Facility in Marquette evolved as the successors to the original Michigan

Soldiers' Home, according to Executive Reorganization Order 1991-7, which transferred the facilities and their board of managers from the Department of Public Health to the DMVA. These facilities were established to provide care and services for former members of the U.S. armed forces and certain members of their families.

The Post Fund and Posthumous Fund are accounts set up to fund special projects that may be separate in nature from normal home operations. The Post Fund receives donations from various sources, such as the Disabled American Veterans and the Veterans of Foreign Wars. Donations are often earmarked for specific purposes, such as hospital equipment and recreation. The Posthumous Fund receives funds from estates that are voluntarily willed to veterans homes and from funds that are willed to the facilities as a condition of admission (by members who cannot pay the full costs of their residence). The expenditure of Posthumous Fund money is directed by the board of managers for such items as equipment, construction and remodeling, burial allowances, and medical bills.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Many families of National Guard members and U.S. armed forces reservists face financial difficulties when Guard or reserve troops are called into active military service. A soldier's or sailor's military pay typically is lower than his or her civilian salary. Private companies usually do not make up the difference, and some families apparently may see as much as a 70% reduction in household pay when their primary source of income is away. Those families then struggle to keep up with regular expenses, such as mortgage or rent payments, utility bills, food and clothing costs, insurance premiums, and car payments or other transportation costs. Unexpected expenses, such as the cost of home or car repairs, put a further strain on a military family's already stretched budget. Moreover, with more troops being called to active duty for longer periods of time ever since the September 11 terrorist attacks and subsequent military

actions in Afghanistan and Iraq, more families are feeling these financial burdens.

To address this situation, the State of Illinois has established a fund to provide grants to military personnel called up from the National Guard and reserve units and their families. The Illinois fund is supported through checkoff donations on individual income tax returns. To offer similar relief to Michigan families affected by the activation of U.S. armed forces reserve and National Guard troops, Michigan should create a similar fund and grant program.

Response: If the bills were enacted in the fall of 2004, it could be too late to place the checkoff on the tax returns for this year, meaning the bills' revenue source would not be available until early in 2006. Illinois faced a similar situation, so its legislation included \$5 million as a start-up appropriation and allowed for private contributions, in addition to the income tax checkoff. That early revenue enabled the grant program to be implemented before the tax return checkoff contributions began to be collected.

Opposing Argument

It could be unwise to rely upon income tax return checkoff contributions as a funding source for the proposed grant program because the contribution level would vary from year-to-year. In addition, if other worthy causes succeeded in having a checkoff placed on State income tax returns, various charitable enterprises could end up competing for the same resources. In addition to this proposal for an income tax checkoff for military family relief, legislation introduced in the current session would provide for income tax checkoff contributions for the Home Heating Credit Fund, breast cancer research, the Michigan Disability Sports Alliance, the Children's Trust Fund, prostate cancer research, State parks, and the Veterans Trust Fund.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills would have an indeterminate fiscal impact on the State. The bills would allow taxpayers to designate on their annual returns a contribution of \$1 or more to the proposed Military Family Relief Fund. The number of people who might choose to contribute to the Fund and the annual

amount raised by such contributions cannot be determined. However, when the State of Michigan permitted income tax checkoff contributions between 1991 and 1999 for the Children's Trust Fund and the Non-Game Wildlife Fund, annual contributions averaged \$771,351 and \$569,081, respectively.

Fiscal Analyst: Bruce Baker

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.