



Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5953 (Substitute H-1 as reported without amendment)
Sponsor: Representative Fulton Sheen
House Committee: Veterans Affairs and Homeland Security
Senate Committee: Senior Citizens and Veterans Affairs

Date Completed: 9-20-04

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

The bill would amend the Income Tax Act do both of the following:

- **Allow a taxpayer to designate on his or her annual return a contribution of \$1 or more toward the "Military Family Relief Fund" (proposed by Senate Bill 1269 and House Bill 5954).**
- **Allocate 80% of the money designated on annual tax returns to the proposed Fund and 20% to the Post Fund and Posthumous Fund of the Michigan Soldiers' Home.**

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 be credited to the Military Family Relief Fund. 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 Department of Military and Veterans Affairs (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. Money appropriated pursuant to 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 bill is tie-barred to either Senate Bill 1269 or House Bill 5954, both of which would create the Military Family Relief Fund Act and provide for grants from the Fund to a "qualified individual" or his or her family. (Under those bills, "qualified individual" would mean a member of a reserve component of the U.S. armed forces based in Michigan, or a Michigan resident serving in a reserve component in another state, who 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.)

Proposed MCL 206.438

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 funds 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, in part, 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, Senate Bill 1269 (S-1) and House Bill 5954 (H-1) propose to establish the "Military Family Relief Fund" and provide for grants from the Fund to certain military personnel or their families. House Bill 5953 (H-1) would create a revenue source for the Fund by allowing taxpayers to designate a contribution of at least \$1 to it on their annual income tax returns.

Response: If the bill 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 proposed 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 bill would have an indeterminate fiscal impact on the State. The number of people who might choose to contribute \$1 or more to the Military Family Relief 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.