

# Legislative Analysis



## VETERANS TUITION GRANT CHECKOFF

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**House Bill 5091**

**Sponsor: Rep. Bill Caul**

**Committee: Tax Policy**

**Complete to 10-14-05**

## A SUMMARY OF HOUSE BILL 5091 AS INTRODUCED 8-17-05

The bill would amend the Income Tax Act to create a tax checkoff program beginning with the 2005 tax year to permit taxpayers to designate a contribution of \$2 or more to the Michigan Higher Education Assistance Authority for the Children of Veterans Tuition Program. The contribution would be subtracted from a taxpayer's refund or added to the taxpayer's tax liability. An amount equal to the total amount of contributions would be appropriated from the General Fund to the Children of Veterans Tuition Program and distributed under to the Children of Veterans Tuition Act.

MCL 206.437

### FISCAL IMPACT:

The bill would have no fiscal impact on income tax revenue. Based on data from previous designated contributions, the Michigan Higher Education Assistance Authority could generate between \$0.5 million and \$1.0 million annually.

### BACKGROUND INFORMATION:

#### Children of Veterans Tuition Act

In late March, the House of Representatives passed House Bills 4001 and 4002, introduced by Representative Caul, which are presently before the Senate Appropriations Committee. House Bill 4001, known as the Children of Veterans Tuition Act, would repeal Public Act 245 of 1935, which provides for the current tuition grant program and create a similar program to be administered by the Michigan Higher Education Assistance Authority. House Bill 4002 would repeal four outdated sections in the Michigan Veterans Trust Fund Act. Although House Bill 5091 is not tie-barred to House Bill 4001, it assumes that HB 4001 would be enacted.

#### Tuition Grant Program

Public Act 245 of 1935 created the Veterans Tuition Grant Program to provide the children of veterans killed or missing in action or who have died or are totally disabled as a result of service-related injuries with grants to attend the state's colleges and universities. The program is currently administered by the Department of Military and

Veterans Affairs. Between 1935 and 1946, it appears that universities simply waived the tuition of the children of veterans, and absorbed the tuition program's costs. From 1946 to 1968, the tuition grant program was funded from appropriations from the General Fund through the Department of Education (which administered the program during much of that time).

Since FY 1969-1970 (Public Act 236 of 1969), the tuition grant program has been funded by the earnings from the Michigan Veterans' Trust Fund.<sup>1</sup> The primary purpose of the MVTF is to provide financial assistance to veterans in times of emergency or hardship. The act creating the MVTF contains no specific provision requiring that a portion of the funds earnings support the tuition grant program.

The use of the MVTF for the tuition grant program has been problematic for some time, as MVTF support for the tuition grant program effectively takes away available funding for the emergency assistance grants. In June 1995, the MVTF Board of Trustees voted to suspend the payments for the tuition grant program for the rest of that year, in an attempt to meet the demands of the emergency assistance grant program. In a letter opinion dated August 1, 1995, the state attorney general ruled that the MVTF board could not suspend tuition payments and ordered the MVTF board to continue to administer the program as mandated by law.

Recently, the MVTF board again voted to suspend payments for the tuition grant program, notifying students that the "Department of Military and Veterans Affairs appropriation for Fiscal Year 2005-06 beginning October 1, 2005 does not provide a general fund appropriation for Public Act 245 of 1935 as amended (Education of Children of Veterans)...As a result of the appropriation decision, the Trustees of the Michigan Veterans Trust Fund have suspended tuition payments beginning with academic terms starting on or after January 1, 2006. The Michigan Veterans Trust Fund will make payments for academic terms already begun or scheduled to begin prior to January 1, 2006 regardless of when we actually receive the billing from [the] school."

### **Other Income Tax Checkoffs**

Last session, Public Act 363 of 2004 (Senate Bill 1269) established a Military Family Relief Fund, which is to be funded through an income tax check-off. The fund provides assistance grants to the families of members of a reserve component of the U.S. Armed Forces based in the state or to the families of state residents serving in a reserve component based in another state who are called into active duty in response to the September 11th attacks or a national emergency. The families must have to have a documented need for financial assistance. The grants are capped at \$2,000 per year but can be increased in extreme cases.

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<sup>1</sup> The MVTF was created by Public Act 9 of 1946 (First Extra Session) and funded by a \$50 million post-World War II reserve created by Public Act 4 of 1943. In November 1996, voters passed Ballot Proposal C establishing the MVTF and the MVTF Board of Trustees in the state Constitution, and providing the board with the authority to administer the trust fund. See Article 9, Sections 37-39. At present, the current balance of the fund is about \$47.4 million.

The income tax check-off, found on line 28 of the 2004 Michigan MI-1040 income tax return, was established by Public Act 364 of 2004 (House Bill 5953) and allows taxpayers to designate contributions of \$1 or more to the Military Family Relief Fund. The checkoff generated just over \$500,000 in FY 2005, and is expected to generate approximately \$750,000 in FY 2006.

In addition, the legislature and governor recently enacted Public Act 160 of 2005 (Senate Bill 503), which reinstated the income tax checkoff for the Children's Trust Fund. Money generated for the trust fund is available for disbursement upon authorization of the Child Abuse and Neglect Prevention Board.

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