Senate Bill 382 (as introduced 4-14-05)
Sponsor: Senator Michael D. Bishop
Committee: Finance

Date Completed: 6-28-06

CONTENT

The bill would amend the Income Tax Act to allow a taxpayer to credit against his or her annual income tax an amount equal to 50% of the aggregate amount of charitable contributions made during the tax year to an educational facility or organization, including donations to educational foundations and certain educational programs offered by school districts or public school academies.

The Act allows a taxpayer to credit against his or her income tax for the tax year an amount, subject to applicable limitations, equal to 50% of the aggregate amount of charitable contributions made by the taxpayer during the tax year to certain types of nonprofit entities. Under the bill, a taxpayer also could claim the credit for charitable contributions to an educational facility or organization.

A contribution to the endowment fund of a community foundation or other entity providing overnight accommodation, food, or meals to indigents could not be used in calculating the credit.

"Educational facility or organization" would mean either an educational foundation, or a continuing education, community education, or adult education program operated by a school district or a public school academy.

"Education foundation" would mean an organization that applied for certification by April 1 of the tax year for which the taxpayer was claiming the credit that annually submitted to the Department of Treasury documentation that demonstrated continued compliance with the Act, 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.
-- Was publicly supported as defined by the regulations of the U.S. Department of Treasury.
-- Met the requirements for treatment as a single entity contained in the regulations of the U.S. Department of Treasury.
-- Was incorporated or established as a trust at least six months before the beginning of the tax year for which the credit was claimed.
-- Had an independent governing body representing the general public's interest and that was not appointed by a single outside entity.

-- Was subject to a program review each year and an independent financial audit every three years and provided copies of the review and audit to the Department of Treasury within three months after the review or audit was completed.

The Department also would have to certify that all funds, gifts, and bequests were exclusively dedicated to a school district or public school academy or a foundation described in Section 509(a)(1) or 509(a)(3) of the Internal Revenue Code (which describe various types of charitable organizations) that was located in the community or area served and that was located in the State.

MCL 206.260   Legislative Analyst: J.P. Finet

FISCAL IMPACT

This bill would reduce income tax revenue an estimated $15 million in the initial year and about $20 million to $25 million in subsequent fiscal years. It is estimated that 80% to 90% of this loss in revenue would affect the General Fund/General Purpose budget, and the remaining loss would affect the School Aid Fund. School districts would benefit from increases in contributions that would be generated by this new tax credit, but other local governments would not be directly affected by this bill. Under current law, about 290,000 taxpayers, or about 6.0% of all income tax filers, claim about $25 million in public contribution tax credits.

Fiscal Analyst: Jay Wortley