



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 150 (Substitute S-1 as reported)
Sponsor: Senator Jason E. Allen
Committee: Finance

CONTENT

The bill would amend the Income Tax Act to include the value of donated food items in a credit allowed for cash donations to a food bank or homeless shelter, for the 2008 tax year and each subsequent tax year.

Currently, subject to applicable limitations, a taxpayer may credit against the income tax 50% of the cash amount the taxpayer contributed during a tax year to a shelter for homeless people, food kitchen, food bank, or other entity located in this State, whose primary purpose is to provide overnight accommodation, food, or meals to people who are indigent, if a contribution to that entity is tax deductible for the donor under the Internal Revenue Code.

Under the bill, a taxpayer could claim a credit equal to 50% of the sum of the cash amount and of the value of food items contributed, beginning with the 2008 tax year.

The amount of this credit presently is limited to \$100, or \$200 for a husband and wife filing jointly, for total cash contributions made to an entity described above. For a resident estate or trust, the credit may not exceed 10% of the taxpayer's tax liability for the tax year before any credits are claimed, or \$5,000, whichever is less, for total cash contributions made. Under the bill, these limits would apply to total cash contributions made and the value of food items contributed.

MCL 206.261

Legislative Analyst: Craig Laurie

FISCAL IMPACT

While the current income tax credit for homeless shelters and food banks is intended to be claimed only for cash contributions by taxpayers, it is very likely that some taxpayers are already claiming the credit for the value of food donated to food banks. Therefore, it is anticipated that the potential fiscal impact of this bill is less than it otherwise would be. It is estimated that the bill would reduce income tax revenue to the General Fund in the range of \$2 million to \$3 million annually. Local governments would not be directly affected by this bill.

Date Completed: 2-19-08

Fiscal Analyst: Jay Wortley