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BILL ANALYSIS

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Senate Bill 515 (as introduced 5-17-07)
Sponsor: Senator Jason E. Allen
Committee: Finance

Date Completed: 5-30-07

CONTENT

The bill would amend the Income Tax Act to delay the sunset on the Military Family Relief Fund income tax check-off for four years.

Section 438 of the Act provides that, for tax years beginning after December 31, 2003, and before January 1, 2008, a taxpayer may 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 is not sufficient to make a contribution, the taxpayer may designate a contribution amount, which must 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 Section 438, must be distributed each fiscal year to the Department of Military and Veterans Affairs. Of that distribution, 80% is allocated to the Military Family Relief Fund and 20% to the Post Fund and Posthumous Fund of the Michigan Soldiers' Home (the Michigan Veterans' Facilities).

Under the bill, a taxpayer could designate on his or her annual return a contribution to the Military Family Relief Fund for tax years beginning after December 31, 2003, and before January 1, 2012.

MCL 206.438

BACKGROUND

Public Act 363 of 2004 created the Military Family Relief Fund Act to establish the Fund and provide for grants from it to qualified individuals and their families. A qualified individual is a person 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 must 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 he or she incurred a line-of-duty injury or illness.

The Department of Military and Veterans Affairs must review grant applications. A qualified individual and his or her family may apply for more than one grant in a year. They may not receive more than \$2,000 from the Fund in any year, although the Department

may waive that limit if it determines that the individual or family is in an emergency situation or has extreme needs.

Public Act 364 of 2004 added Section 438 to the Income Tax Act to allow taxpayers to make a contribution to the Military Family Relief Fund, as described above.

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would continue a taxpayer income tax contribution option that provides a revenue source for the Department of Military and Veterans Affairs Military Family Relief Fund. The income tax check-off program otherwise will sunset with the current tax year of 2007.

While it is difficult to predict the exact amount of revenue that could be realized as a result of extending the current sunset as proposed, several hundred thousand dollars annually should be expected (\$200,000 to \$500,000). As the collection history below shows, the income tax check-off program for the Military Family Relief Fund has seen a decline in collections from initial contributions. This is a trend that mirrors the track record of most income tax check-off programs over time.

Total Check-Off Tax Year 2004	\$1,183,029.00
Total Check-Off Tax Year 2005	505,529.30
Total Check-Off Tax Year 2006 (YTD)	423,822.00
Grand Total Check-Off	\$2,112,380.30

It should be noted that there are other sources of revenue for the Fund, including common cash interest earnings and other contributions. The amounts are as follows:

Total Common Cash Earnings FY 2004-05	\$ 50,954.64
Total Common Cash Earnings FY 2005-06	84,892.00
Total Common Cash Earnings FY 2006-07 (YTD)	83,996.80
Grand Total Common Cash Earnings	\$219,843.44
Total Donations FY 2004-05	\$11,058.00
Total Donations FY 2005-06	23,665.00
Total Donations FY 2006-07 (YTD)	3,511.00
Grand Total Donations	\$38,234.00
Total Revenue to date, all sources:	\$2,370,457.74

Fiscal Analyst: Bruce Baker

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