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Senate Bill 1353 (Substitute S-4 as reported by the Committee of the Whole)

Senate Bill 1374 (Substitute S-3 as reported by the Committee of the Whole)

Sponsor: Senator John Pappageorge (S.B. 1353)

Senator Buzz Thomas (S.B. 1374)

Committee: Finance

### **CONTENT**

Senate Bill 1353 (S-4) would amend the Income Tax Act to add the "Michigan Council for the Arts Fund" (proposed by Senate Bill 1374 (S-3)) to the funds listed on the schedule of contribution designations (check-offs) included with a taxpayer's income tax return.

Under the Act, an individual may designate on his or her annual tax return that contributions of \$5, \$10, or more of his or her State income tax refund (or additional tax liability) be credited to any of the funds specified in the Act. The Department of Treasury must create a schedule of the check-offs to be included with an annual income tax return. New check-offs must be incorporated as soon as practical on the schedule, and the Department may discontinue a check-off that fails to raise \$100,000 in a tax year for two consecutive years.

Senate Bill 1374 (S-3) would amend the History, Arts, and Libraries Act to create the "Michigan Council for the Arts Fund" in the Department of History, Arts, and Libraries and allow money in the Fund to be spent only to fund grants administered by the Michigan Council for Arts and Cultural Affairs.

By November 1 of each year, the Department would have to provide the Senate and House Appropriations Subcommittees on History, Arts, and Libraries with a report of all revenue to and expenditures from the Fund. The report would have to include an estimated Fund balance for the fiscal year.

The Department would have to administer the Fund and the State Treasurer would have to direct its investment. The Department would have to credit to the Fund all amounts appropriated to it and any money received as contributions for purposes under the Act, including money credited to the Fund from income tax check-off contributions, any interest and earnings accruing from the saving and investment of that money, and any other appropriations, money, or other things of value received by the Fund. Money appropriated or money received as a contribution to the Fund would be available for disbursement upon appropriation and money in the Fund at the close of the year would remain in the Fund and could not lapse to the General Fund.

The bills are tie-barred.

MCL 206.435 (S.B. 1353)  
399.702 et al. (S.B. 1374)

Legislative Analyst: Craig Laurie

## **FISCAL IMPACT**

Senate Bill 1353 (S-4) would have an indeterminate fiscal impact on State government. Each time a check-off is added, the Department of Treasury incurs administrative costs for implementing the necessary changes to the forms, and for processing the various contributions. In 2005, the Department received \$2.2 million in total contributions to the three check-offs then available. On average, the total amount of contributions in a given tax year has ranged from \$1.5 million to \$3.5 million, and the amount per check-off has varied from \$300,000 to \$2.1 million. It is difficult to predict the popularity of a new check-off and whether the addition of choices for check-off contributions would increase the total amount of contributions, or reduce the distribution to any given fund.

Senate Bill 1374 (S-3) would create the Michigan Council for the Arts Fund in the Department of History, Arts, and Libraries (HAL) to support the Arts and Cultural Grants program. The FY 2007-08 appropriation for the arts and cultural grants is \$7,754,000, of which \$7,054,000 is GF/GP funding. The conference committee report for the FY 2008-09 HAL budget includes \$8,037,900 for these grants, of which \$7,154,900 is GF/GP funding.

Date Completed: 7-22-08

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