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House Bill 4557 (Substitute S-1 as reported)
Sponsor: Representative Richard LeBlanc
House Committee: Military and Veterans Affairs and Homeland Security
Senate Committee: Senior Citizens and Veterans Affairs

Date Completed: 5-12-08

RATIONALE

Public Act 363 of 2004 created the Military Family Relief Fund Act to establish the Fund and provide for grants from it to members of the National Guard and U.S. armed forces reserves called to active duty as a result of national response to the September 11 terrorist attacks, and the families of those military personnel. Grants from the Fund may provide financial assistance for clothing, food, housing, utilities, medical services or prescriptions, insurance payments, vehicle payments, or other related necessities if the need occurs during the time the service member is on active duty or because he or she incurred a line-of-duty injury or illness. To raise money for the Fund, Public Act 364 of 2004 amended the Income Tax Act to provide that, for tax years beginning after December 31, 2003, and before January 1, 2008, a taxpayer may designate a contribution of \$1 on his or her tax return. Public Act 364 specifies that the contribution designation must be clearly and unambiguously printed on the first page of all State individual income tax return forms, if practicable.

More recently, Public Act 133 of 2007 amended the Income Tax Act to allow a taxpayer to designate a contribution of \$5, \$10, or more for the Michigan Higher Education Assistance Authority, the Children's Trust Fund, the Prostate Cancer Research Fund, Amanda's Fund for Breast Cancer Prevention and Treatment, the Animal Welfare Fund, or the Michigan Housing and Community Development Fund. That Act also requires the Department of Treasury to establish and use a separate

contributions schedule for those designations, but allows contributions to the Michigan Higher Education Assistance Authority and the Children's Trust Fund to remain on the first page of the State individual income tax return for the 2008 and 2009 tax years. Some people believe that tax check-off contributions to the Military Family Relief Fund should be incorporated with the check-off contributions on the separate schedule, beginning with the 2010 tax year.

CONTENT

The bill would amend the Income Tax Act to allow a tax check-off contribution of \$5, \$10, or more for the Military Family Relief Fund for the 2010 tax year and each year after that.

Under the Act, an individual may designate on his or her annual return that contributions of \$5, \$10, or more of the taxpayer's refund be credited to certain funds or organizations. If an individual's refund is not sufficient to make a contribution, he or she may designate a contribution amount to be added to his or her tax liability for the tax year. The bill would include in this provision a contribution designation for the 2010 tax year and each tax year after that for the Military Family Relief Fund.

The Act requires the Department of Treasury to establish and use a separate contributions schedule for authorized contribution designations. Certain contribution

designations must remain on the first page of the tax return for the 2008 and 2009 tax years, but must be incorporated into the contributions schedule for the 2010 tax year and remain on the schedule until the contribution designation either expires by law or is otherwise no longer available as determined by the Department (which may cease to include a contribution designation on the schedule if it fails to raise \$100,000 in any tax year for two consecutive years). The bill would include a contribution designated for the Military Family Relief Fund under Section 438 in this provision. (That section allows a taxpayer, for tax years beginning after December 31, 2003, and before January 1, 2008, to designate on his or her annual return a contribution of \$1 or more of his or her refund or additional tax liability to be credited to the Military Family Relief Fund.)

MCL 206.435

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Since its inception in 2004, the Military Family Relief Fund has benefited from a tax check-off on State individual income tax forms. Taxpayers have been able to designate \$1 or more of their refund, or to add \$1 or more to their tax liability, to contribute to the Fund. This Fund provides assistance to Michigan military personnel and their families to cover financial hardships as a result of the deployment of service members in response to the September 11 terrorist attacks. The Fund, and military families, should be allowed to continue to benefit from this highly visible and accessible form of fund-raising. By including a tax check-off designation of \$5, \$10, or more for the Military Family Relief Fund in the separate schedule of contribution designations in 2010 and beyond, the bill would ensure that the much-needed grants financed by the Fund could continue indefinitely.

Opposing Argument

It may be unwise to rely upon income tax return check-off contributions as a funding source. The contribution levels vary from year to year and the various worthy causes

that are included on tax forms for check-off contributions may drive down each other's fund-raising attempts by competing for the same resources. In addition, under the Act, the Department may remove a check-off from the contributions schedule if it fails to raise \$100,000 in any tax year for two consecutive years. As more check-off designations are included in the tax forms, there is a greater likelihood that any of them will fail to meet that minimum fund-raising standard and be omitted from the contributions schedule in future years.

Response: The Military Family Relief Fund has received more than \$2.5 million in donations since it was created in 2004, with annual contributions ranging from \$550,000 to \$1.2 million. The tax check-off approach to financing the Fund and providing grants to military families has been successful and should be authorized to continue.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State government, but would allow for continuing contributions on income tax forms to the Military Family Relief Fund. Total annual contributions have ranged from approximately \$550,000 to \$1.2 million. Since its beginning in tax year 2004, the Fund has received donations totaling \$2,577,000.

Fiscal Analyst: Stephanie Yu

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.