Legislative Analysis

Mitchell Bean, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

AMERICAN RED CROSS MICHIGAN FUND
& INCOME TAX CHECKOFF

House Bill 6175 as introduced
Sponsor: Rep. George Cushingberry, Jr.

House Bill 6176 (Substitute H-1)
Sponsor: Rep. Chuck Moss
Committee: Health Policy

Revised First Analysis (7-1-10)

BRIEF SUMMARY: House Bill 6176 would create a fund to support the state chapter of the American Red Cross, and House Bill 6175 would place a checkoff box on the state income tax return for filers to donate to the American Red Cross Michigan Fund.

FISCAL IMPACT: Based on data from Michigan and other states, between $500,000 and $1.5 million could be generated from all checkoffs. However, the popularity of a particular checkoff and the addition of choices for checkoff contributions would also affect the revenue generated by each checkoff. Recent data indicates that between $15,000 and $235,000 has been generated per individual checkoffs.

THE APPARENT PROBLEM:

The American Red Cross does much more than just blood collections. Volunteers and workers provide emergency communication services to military families, medical assistance, safety assistance, as well as disaster relief. In Michigan, home fires drive most of the requests for help. Last year alone, about 4,000 families displaced by home fires and other natural disasters (tornadoes, floods, etc.) were assisted by Michigan chapters of the American Red Cross. Unfortunately, like many charities, the American Red Cross has seen donations decline during the present recession. However, the state chapters continue to be deluged with requests for assistance. One suggestion to encourage donations is to add the American Red Cross to the list of organizations for which individuals filing a state income tax can include a donation when filing their personal income tax forms.

THE CONTENT OF THE BILLS:

The bills, as a package, would create a fund to support the state chapter of the American Red Cross and place a checkoff box on the state income tax return for filers to donate to the American Red Cross Michigan Fund. The bills are tie-barred to each other.

<u>House Bill 6176</u> would create the American Red Cross Michigan Fund. The fund would be created in the Department of Treasury and be administered by the department for auditing purposes. The fund would consist of the money credited by the state treasurer

under the checkoff added to the state income tax form by House Bill 6175, any interest and earnings accruing from the saving and investment of that money, and money from any other source. The fund's purpose would be to provide funds for donation to the Michigan chapters of the American Red Cross. The money, interest, and earnings of the fund could only be expended for donation to the Mid-Michigan Chapter of the American Red Cross for distribution to the Michigan chapters of the organization.

The state treasurer would direct the fund's investments. Money in the fund at the close of a fiscal year would remain in the fund and not lapse to the General Fund. Further, money in the fund available for distribution would have to be appropriated each year. Money granted or received as a gift or donation would be available for distribution upon appropriation.

House Bill 6175 would amend the Income Tax Act (MCL 206.435) to add the American Red Cross Michigan Fund to the list of funds for which an individual could designate a contribution of $5, $10, or more on an annual tax return.

BACKGROUND INFORMATION:

The Income Tax Act currently authorizes checkoffs for Military Family Relief, Children's Trust Fund, Children of Veterans Tuition Grants, Prostate Cancer Research, Breast Cancer Prevention and Treatment, Animal Welfare, Housing and Community Development, and the Law Enforcement Officers Memorial. Authorized for future years are checkoffs for the Michigan Council for the Arts, Renewable Fuels, Foster Care Trust, Children's Miracle Network, Children's Hospital of Michigan, and the United Way.

ARGUMENTS:

For:

The legislation, by enabling residents filing a state personal income tax form to earmark a portion of their refunds to the American Red Cross Michigan Fund, has the potential to increase awareness of and donations to local chapters of the American Red Cross. The services that the organization provides to residents in need are well established. From shelter and clothing after a home fire or damage from a tornado, to providing emergency medications and conducting blood drives, the volunteers and workers of the American Red Cross are there when folks need them most. The tax checkoff could bring in donations that otherwise may not have been made. In addition, creation of the American Red Cross Michigan Fund would enable individuals to donate or bequeath money to it, and also allow the fund to receive grants or donations from other private and public sources, which in turn will expand the number of residents that can receive assistance.

Against:

A standard criticism of legislation adding checkoffs to the income tax form is that each new checkoff has the potential to reduce the amount contributed to existing checkoffs. (This argument, however, grows less relevant as new checkoffs proliferate.) It should also be noted that some people continue to argue that the state income tax form is not the appropriate vehicle for charitable fundraising.

POSITIONS:

A representative of the Michigan American Red Cross testified in support of the bills. (6-22-10)

The American Red Cross Southeast Michigan Chapter indicated support for the bills. (6-22-10)

The Department of Treasury indicated a neutral position on the bills. (6-22-10)

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Rebecca Ross

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.