



Telephone: (517) 373-5383 Fax: (517) 373-1986 TDD: (517) 373-0543

Senate Bill 38 (as introduced 1-27-09) Sponsor: Senator John Pappageorge

Committee: Finance

Date Completed: 12-3-09

CONTENT

The bill would amend the Income Tax Act to allow a taxpayer to credit against the tax 50% of the total amount the taxpayer contributed during the tax year to an endowment fund of an education foundation or to a specific project organized by an education foundation. The maximum amount of the credit would be \$100 for an individual taxpayer or \$200 for a husband and wife filing jointly. For a resident estate or trust, the credit could not exceed 10% of the taxpayer's tax liability for the tax year before any credits allowed by the Act were claimed, or \$5,000, whichever was less. The credit would be allowed for the 2010 tax year and each subsequent tax year.

The proposed credit would be allowed in addition to the credits that may be claimed for contributions to an endowment fund of a community foundation and for cash or food items donated to a homeless shelter, food kitchen, food bank, or similar entity.

The bill would define "education foundation" as an organization that applies for certification by April 1 of the tax year for which the taxpayer is claiming the credit, that annually submits to the Department of Treasury documentation of its continued compliance with these requirements, and that the Department certifies for that tax year as meeting all of the following requirements:

- -- Qualifies for exemption from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code.
- -- Maintains an ongoing program to attract new endowment funds by seeking gifts and bequests from a wide range of potential donors in the community or area served.
- -- Exclusively dedicates all funds, gifts, and bequests to a school district or public school academy.
- -- Is subject to a program review every year and an independent financial audit every three years, and gives copies of the review and audit to the Department within three months after the review or audit is completed.
- -- Is publicly supported as defined by U.S. Department of Treasury regulations.
- -- Meets the requirements for treatment as a single entity contained in U.S. Department of Treasury regulations.
- -- Is incorporated or established as a trust at least six months before the beginning of the tax year for which the credit is claimed.
- -- Has an independent governing body that represents the general public's interest and is not appointed by a single outside entity.

MCL 206.261 Legislative Analyst: Suzanne Lowe

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FISCAL IMPACT

The bill would reduce State income tax revenue by a unknown, and potentially significant, amount. Michigan currently offers similar credits, the Public Contribution Credit and the Community Foundation Credit, which totaled \$28.3 million for tax year 2007. Data from 2008 for a similar program in Arizona implies a Michigan impact of about \$35.0 million per year for the proposed credit. Approximately, 80% to 90% of the impact would lower General Fund revenue, while the remaining impact would lower School Aid Fund revenue.

Fiscal Analyst: David Zin

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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.