



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

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

House Bill 5232 (Substitute H-1 as passed by the House)
Sponsor: Representative Jeff Farrington
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 4-24-12

CONTENT

The bill would amend Section 435 of the Income Tax Act, which provides for voluntary contributions to various funds (tax check-offs), to do the following:

- **Limit the number of separate check-offs to 10 in a single tax year.**
- **Require the Department of Treasury to discontinue a check-off that failed to raise \$50,000 in a tax year for two consecutive tax years.**
- **Require money appropriated to a fund from a check-off to be distributed within one year, and prohibit the money from being used to administer the fund.**
- **Require the department responsible for administering a fund to designate one local representative or agency to distribute contributions, if the fund were used for donations to multiple organizations.**
- **Identify factors the Legislature would have to consider in determining whether to add check-offs to the schedule.**
- **Delete references to funds that are no longer on the schedule.**

Section 435 allows an individual to 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 must create a schedule of the specified check-offs to be included with an annual income tax return.

Under the bill, the schedule could not include more than 10 separate contribution designations in any single year.

Currently, the Department may discontinue a contribution designation if it fails to raise \$100,000 in any tax year for two consecutive tax years. The bill, instead, would require the Department to discontinue a check-off that failed to raise \$50,000 in any tax year for two consecutive tax years.

The bill would require money appropriated from contributions made under Section 435 to be distributed as provided in each fund within one year. None of the money appropriated could be used for the purpose of administering the fund.

If a fund were to be used for donations to multiple organizations located in the State, the department responsible for administering that fund would have to designate one local representative or agency of that organization to administer and distribute the money to other similar organizations in the State, as provided in the act that created the fund.

The bill would require the Legislature to consider all of the following factors, when determining whether to amend the State individual income tax return to include additional check-offs on the contributions schedule:

- Whether the organization served multiple regions throughout the State.
- Whether the organization demonstrated that it was capable of raising more than \$50,000 in the State during the tax year through means other than the tax check-off.
- Whether the organization spent 30% or more of its money to cover administrative and fund-raising costs.
- Whether the organization had previously been included on the contributions schedule within the last three years and was removed because it failed to raise a sufficient amount of money through the check-off.
- Whether the organization received any other State funds or other type of financial assistance from the State.
- Whether the organization was associated with a nonprofit charitable organization.

The 2011 contributions schedule includes the following: the Animal Welfare Fund, the Children of Veterans Tuition Grant Program, the Children's Trust Fund, the Girl Scouts of Michigan Fund, the Military Family Relief Fund, and the United Way Fund. (Other than check-off for the Military Family Relief Fund, which is required by Section 438 of the Act, these check-offs are listed in Section 435.) The bill would delete references to other funds that are no longer on the schedule.

MCL 206.435

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would simplify the administration of the funds that receive donations through individual income tax returns. This would reduce the administrative costs of the Department of Treasury by an unknown amount. Table 1 below shows the donations collected for the 2009 tax year. Many of these funds did not meet the required revenue threshold and were no longer on the tax form in 2011. Table 2 lists the revenue through April 22, 2012, for the funds listed on the tax form in 2011.

Table 1
Estimated Income Tax Check-Off Donations
Tax Year 2009

	On Form in 2011	Number of Donations	Total Donation
Amanda's Fund for Breast Cancer	No	3,754	\$37,818
Animal Welfare Fund	Yes	7,854	100,862
Children's Hospital of MI Fund	No	5,661	61,186
Children's Miracle Network Fund	No	3,432	35,357
Children's Trust Fund	Yes	17,244	185,407
Children of Veterans Tuition Grant Program	Yes	15,225	126,531
Foster Care Trust Fund	No	2,407	24,123
Michigan Military Relief Fund	Yes	22,432	273,428
Michigan Council for the Arts Fund	No	2,598	27,978
Michigan Housing and Community Development Fund	No	1,618	17,415
Michigan Law Enforcement Memorial Fund	No	2,492	27,457
Prostate Cancer Research	No	2,920	29,319
Renewable Fuels Fund	No	2,157	18,247
United Way Fund	Yes	5,736	241,797
Total			\$1,206,925
Source: Michigan Department of Treasury			

Table 2
Estimated Income Tax Check-Off Donations
Tax Year 2011
Collections through April 22, 2012

	Number of Donations	Total Donation
Animal Welfare Fund	10,800	\$125,636
Children's Trust Fund	8,499	88,839
Children of Veterans Tuition Grant Program	5,878	70,374
Girl Scouts of Michigan Fund	3,500	44,163
Military Family Relief Fund	9,463	134,757
United Way Fund	5,574	163,937
Total		\$627,706
Source: Michigan Department of Treasury		

Fiscal Analyst: Elizabeth Pratt

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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.