

Legislative Analysis



NEW INCOME TAX CHECK-OFFS: ALZHEIMER'S & ALS

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bills 4081 & 4082
Sponsor: Rep. Matt Lori

House Bill 4084
Sponsor: Rep. Jeff Farrington

House Bill 4085
Sponsor: Rep. Tom Cochran

House Committee: Tax Policy

Complete to 2-12-13

A SUMMARY OF HOUSE BILLS 4081, 4082, 4084 & 4085 AS INTRODUCED 1-23-13

The bills would place additional check-off boxes on the state income tax return to allow taxpayers to make voluntary donations to two organizations. These are:

- Michigan Alzheimer's Association Fund (HB 4081 & 4082)
- ALS of Michigan ("Lou Gehrig's Disease") Fund (HB 4084 & 4085)

These would be added to the list of funds to which a taxpayer could contribute \$5, \$10, or more on an annual tax return. The amount of the contribution is deducted from a refund or added to the amount of tax owed (meaning it has no state revenue impact). Under Section 435, the Department of Treasury has established a separate schedule on the income tax form for contribution designations.

New contribution designations typically require two bills each, one to amend the Income Tax Act and another to create a new fund to receive donations from taxpayers.

House Bill 4081 (Alzheimer's) and 4085 (ALS) would each amend the Income Tax Act (MCL 206.435) to establish a new check-off. House Bills 4082 and 4084 would each create a new act to establish the new funds where contributions would be deposited.

House Bill 4082 would create the Michigan Alzheimer's Association Fund in the Department of Treasury to provide funds to benefit the programs and services for unpaid caregivers of individuals with Alzheimer's disease provided by the greater Michigan chapter and the Michigan Great Lakes chapter of the Alzheimer's Association.

House Bill 4084 would create the ALS of Michigan ("Lou Gehrig's disease") Fund in the department to provide funds for donation to ALS of Michigan in order "to support research to find a cure for ALS to provide much-needed services to patients and their

families through a variety of programs, and to support ALS clinics in this state that provide a multidisciplinary approach to caring for people with ALS."

BACKGROUND INFORMATION:

The state income tax form contains a voluntary contribution schedule that allows taxpayers to make donations on a separate form to certain specially selected charitable programs. The recipient groups become eligible for the contributions through legislative action. The Income Tax Act must be amended to name the organization. The act also requires the Department of Treasury to remove a contribution designation from the schedule if the designation fails to raise \$50,000 in any single tax year for two consecutive tax years. A number of organizations have been removed in recent years.

The following contributions are on the 2012 tax form: Animal Welfare Fund, Children of Veterans Tuition Grant Program, Children's Trust Fund, Girl Scouts of Michigan, Military Family Relief Fund, Special Olympics Fund, and the United Way Fund. (The Girl Scouts check-off was added for the 2011 tax year and the Special Olympics check-off was new in 2012.)

The following were once on the state income tax form but have been dropped: the Prostate Cancer Research Fund, Amanda's Fund for Breast Cancer, the Housing and Community Development Fund, the Law Enforcement Officers Memorial Monument Fund, the Renewable Fuels Fund, the Council for the Arts Fund, the Foster Care Trust Fund, the Children's Miracle Network Fund, and the Children's Hospital of Michigan Fund.

Public Act 151 of 2012 (House Bill 5232) amended the Income Tax Act to make a number of changes to the voluntary contribution schedule. The changes include the following:

****** The contributions schedule can contain no more than 10 separate contribution designations in any single tax year. (Currently, there are three slots remaining.)

****** All money appropriated from contributions must be distributed as required by the appropriate fund within one year and none can be used for administering the fund.

****** If a fund receiving contributions is to be used to donate to multiple organizations, the department responsible for administering the fund must designate one local representative or agency of that organization to administer and distribute the funds (in a manner provided in the act creating the fund).

****** When deciding whether to grant approval to an additional contribution designation, the Legislature must consider whether the organization:

- Serves multiple regions throughout Michigan.

- Has demonstrated that it is capable of raising more than \$50,000 during the tax year through means other than the income tax contribution designation.
- Spends 30% or more of its money to cover administrative and fund-raising costs. (Presumably, lower percentages are preferred.)
- Had previously been included on the contributions schedule within the three immediately preceding years and had been removed for failing to raise a sufficient amount.
- Receives any other state funds or other type of financial assistance from the state.
- Is associated with a nonprofit charitable organization.

FISCAL IMPACT:

These are voluntary contributions and have no state revenue impact.

Based on data from Michigan and other states, between \$500,000 and \$1.5 million could be generated from all check-offs. However, the popularity of a particular check-off and the addition of choices for check-off contributions would also affect the revenue generated by each check-off. Recent data indicates that between \$19,000 and \$265,000 has been generated annually per individual check-off.

The bills would have an indeterminate, but likely negligible, fiscal impact on the Department of Treasury. The provisions of the bill may create certain administrative costs in administering the fund and amending tax forms to accommodate the check-off, but these are expected to be minimal and will be absorbed through current appropriation levels.

Contributions in 2011 tax year

The following are the contributions from the 2011 tax year, as provided by the Department of Treasury:

	<u>Contributors</u>	<u>Contributions</u>
Animal Welfare Fund	13,143	\$160,653
Children of Vets Tuition Grant	7,611	\$94,403
Children's Trust Fund	10,646	\$116,739
Military Relief Fund	11,687	\$172,266
United Way Fund	7,197	\$233,694
Girl Scouts of MI	4,545	\$59,505
Total		\$837,260

Contributions in 2009 tax year

For illustration and comparison purposes, the following is a list of designated voluntary contribution totals from the 2009 tax year, as provided by the Department of Treasury:

Fund	Contributors	Contributions	Av. contribution
Animal Welfare	7,982	\$103,162	12.92
Children of Vets Tuition Grant	14,965	\$124,312	8.31
Children's Hospital of Michigan*	5,833	\$63,940	10.96
Children's Miracle network*	3,533	\$36,963	10.46
Children's Trust Fund -- Child Abuse	17,021	\$183,319	10.77
Foster Care*	2,491	\$25,444	10.21
Council for the Arts*	2,692	\$29,240	10.88
Military Family Relief	22,162	\$264,733	11.95
Renewable Fuels*	2,225	\$18,828	8.46
United Way	5,934	\$256,740	43.27
Amanda's Fund/Breast Cancer*	3,803	\$39,916	10.50
Prostate Cancer Research*	2,959	\$30,752	10.39
Law Enforcement Officers Memorial Monument*	2,500	\$27,477	10.99
Michigan Housing & community Development*	1,637	\$18,718	11.43
Total	95,737	\$1,223,584	12.78

* Funds since removed for failure to reach sufficient contributions in consecutive years.

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ 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.