



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

BILL



ANALYSIS

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

Senate Bills 428 and 429 (as enacted)
Sponsor: Senator Rick Jones
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACTS 183 & 184 of 2016

Date Completed: 3-3-17

RATIONALE

The American Red Cross is a nonprofit organization dedicated to providing services in five areas: disaster relief in the United States, support for military families, blood collection, health and safety courses, and international assistance. The American Red Cross Michigan chapter has its headquarters in Detroit, with chapter offices located in Flint, Grand Rapids, Kalamazoo, Lansing, and Traverse City. The organization is staffed mostly by volunteers. For financial support, it depends on voluntary public contributions and cost-recovery charges (for the provision of blood and blood products and health and safety training courses). To provide another source of revenue for the Michigan chapters of the American Red Cross, it was suggested that people be given an opportunity to donate when filing their income tax returns.

CONTENT

Senate Bill 428 enacted the "American Red Cross Michigan Fund Act" to do the following:

- **Create the "American Red Cross Michigan Fund" within the Department of Treasury for the purpose of providing funds for donation to the Michigan chapters of the American Red Cross.**
- **Require money raised from a tax return check-off to be credited to the Fund.**
- **Require that the money, interest, and earnings of the Fund be spent solely for donation to the Mid-Michigan Chapter of the American Red Cross for further distribution to other Michigan chapters.**

Senate Bill 429 amended the Income Tax Act to include the American Red Cross Michigan Fund among the funds eligible for voluntary contributions on the State income tax return, starting in 2016.

The bills took effect on June 16, 2016.

Senate Bill 428

The bill creates the American Red Cross Michigan Fund within the Department of Treasury for the purpose of providing funds for donation to the Michigan chapters of the American Red Cross.

The Fund must consist of the money credited to it under Section 435 of the Income Tax Act (the section Senate Bill 429 amended), any interest and earnings accrued from the saving and investment of that money, and money from any other source. The State Treasurer must credit to the Fund all amounts appropriated for that purpose under Section 435 and money from any other source for deposit into the Fund.

The bill requires the money, interest, and earnings of the Fund to be spent solely for donation to the Mid-Michigan Chapter of the American Red Cross for distribution to the Michigan chapters of the American Red Cross. The money in the Fund that is available for distribution must be appropriated each year. Money granted or received as a gift or donation to the Fund will be available for distribution after appropriation.

The Department of Treasury must be the administrator of the Fund for auditing purposes, and the State Treasurer must direct its investment. Money in the Fund at the close of the year must remain in the Fund and may not lapse to the General Fund.

Senate Bill 429

Section 435 of the Income Tax Act allows an individual to designate on his or her annual State income tax return that contributions of \$5, \$10, or more of his or her refund be credited to any of the funds listed in that section (check-offs). 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 Department of Treasury is required to prepare a contributions schedule that includes the authorized funds. The schedule may not include more than 10 separate check-offs in a single year, and the Department must discontinue a check-off that fails to raise \$50,000 in a tax year for two consecutive years.

Check-offs for the following are currently authorized: the ALS of Michigan ("Lou Gehrig's Disease") Fund; Alzheimer's Association of Michigan; Children of Veterans Tuition Grant Program; the Children's Trust Fund; the Military Family Relief Fund; the Animal Welfare Fund; the United Way Fund; the Special Olympics Michigan Fund; the Michigan Junior Achievement Fund; and the Michigan Alzheimer's Association Fund.

The bill adds the American Red Cross Michigan Fund to the list of check-offs, beginning in the 2016 tax year.

MCL 206.103-206.1039 (S.B. 428)
206.435 (S.B. 429)

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

The American Red Cross provides important services to those in need, and is a worthy organization to add to the income tax contributions schedule. According to its website, the organization is the nation's largest blood collection organization, supplying approximately 40% of the blood and blood products used in the United States. The American Red Cross distributes more than 8.0 million transfusable blood products each year, with patients at approximately 2,700 hospitals and transfusion centers receiving those products. The American Red Cross also reports that it responds to 70,000 natural and man-made disasters in the United States each year, providing food, relief supplies, information, comfort, and shelter to victims. Michigan residents have benefited from these services on many occasions.

The American Red Cross relies on individual donations to fund its operations. The bills provide an easy and convenient way for Michigan taxpayers to contribute to and support the Michigan chapters of the American Red Cross through a check-off on the income tax form.

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bills will have a minimal cost to the State and no fiscal impact on local units of government. After an initial cost to set up the new Fund and begin the investments, the Department of Treasury estimates that the ongoing costs will drop to \$10,000 a year and the Department will be able to cover the costs with current appropriations.

Fiscal Analyst: Cory Savino

SAS\A1516\s428ea

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.