



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 428 (as passed by the Senate)
Senate Bill 429 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Rick Jones
Committee: Finance

Date Completed: 10-27-15

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 has been suggested that people should be given an opportunity to donate when filing their income tax returns.

CONTENT

Senate Bill 428 would create 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 proposed 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 (S-1) would amend the Income Tax Act to include the proposed American Red Cross Michigan Fund among the funds eligible for voluntary contributions on the State income tax return, starting in 2016.

The bills are tie-barred.

Senate Bill 428

The bill would 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.

The Fund would consist of the money credited to it under Section 435 of the Income Tax Act (the section Senate Bill 429 (S-1) would amend), any interest and earnings accrued from the saving and investment of that money, and money from any other source. The State Treasurer would have to 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 would require 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 was available for distribution would have to be appropriated each year. Money granted or received as a gift or donation to the Fund would be available for distribution after appropriation.

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

Senate Bill 429 (S-1)

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; Special Olympics Michigan; the Michigan Amber Alert Fund; and the Michigan Alzheimer's Association Fund.

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

MCL 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. For example, in March 2014, American Red Cross volunteers provided law enforcement personnel with food and drinks during a stand-off situation at a bank in Shiawassee County. In April 2014, Michigan chapters of the American Red Cross organized an event to thank veterans by raising money and encouraging participants to make cards. In August 2014, when the Detroit area faced incidents of flash flooding, American Red Cross volunteers helped support individuals who were affected by the storms.

The American Red Cross relies on individual donations to fund its operations. The bills would 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 would have a minimal cost to the State and no fiscal impact on local units of government. There would be an initial cost to set up the proposed Fund and begin the investments; after that, the Department of Treasury estimates that the ongoing costs would drop to \$10,000 a year and the Department would be able to cover the costs with current appropriations.

Fiscal Analyst: Cory Savino

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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.