



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

BILL



ANALYSIS

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

Senate Bill 461 (as introduced 9-9-15)
Sponsor: Senator Patrick J. Colbeck
Committee: Finance

Date Completed: 2-1-16

CONTENT

The bill would amend Part 1 of the Income Tax Act to allow a taxpayer to claim a credit against the income tax for up to 50% of the aggregate amount of charitable contributions made by the taxpayer during the tax year for public art or an art institution; a public library; a public broadcast station; a college, university, or institution of higher education located in Michigan; or the State Museum.

(Part 1 of the Act imposes a tax on the income of individuals and entities that are not corporations.)

For a taxpayer other than a resident estate or trust, the amount allowable as a credit under the bill for a tax year could not exceed \$100, or for a joint return, \$200. For a resident estate or trust, the amount allowable as a credit for a tax year could not exceed 10% of the tax liability for the year as determined without regard to the bill or \$5,000, whichever was less, and could not have been deducted in arriving at federal taxable income.

Specifically, for tax years beginning after December 31, 2015, subject to the applicable limitation, a taxpayer could claim a credit against the income tax equal to 50% of the aggregate amount of charitable contributions made by the taxpayer during the tax year to any of the following:

- The State under the Faxon-McNamee Art in Public Places Act, of an artwork created by the taxpayer, for display in a public place.
- The State Art in Public Places Fund created under the Art in Public Places Act.
- A municipality in Michigan of an artwork created by the personal effort of the taxpayer for display in a public place.
- Either a municipality in Michigan or a nonprofit corporation affiliated with both a municipality and an art institute located in the municipality, of money or artwork, whether or not created by the personal effort of the taxpayer, if for the purpose of benefiting an art institute located in that municipality.
- A public library.
- A public broadcast station as defined under Section 397 of the Federal Communications Act, that is not affiliated with an institution of higher learning and that is located within Michigan.
- An institution of higher learning located in Michigan.
- The Michigan Colleges Foundation.
- The State Museum.
- The Department of State for the purpose of preservation of the State Archives.
- A nonprofit corporation, fund, foundation, trust, or association organized and operated exclusively for the benefit of institutions of higher learning located in Michigan.

A tax credit for a contribution described under the last item would be permitted only if the donee corporation, fund, foundation, trust, or association were controlled or approved and

reviewed by the governing board of the institution benefiting from the charitable contribution. The nonprofit corporation, fund, foundation, trust, or association would be required to provide copies of its annual independently audited financial statements to the Auditor General and chairpersons of the Senate and House Appropriations Committees.

"Institution of higher learning" would mean only an educational institution located within Michigan that meets all of the following requirements:

- It maintains a regular faculty and curriculum and has a regularly enrolled student body in attendance at the place where its educational activities are carried on.
- It regularly offers education above the 12th grade.
- It awards associate, bachelor's, master's, or doctorate degrees or a combination of those degrees or higher education credits acceptable for those degrees granted by other institutions of higher learning.
- It is recognized by the State Board of Education as an institution of higher learning and appears as an institution of higher learning in the annual publication of the Department of Education entitled, "The Directory of Institutions of Higher Education".

"Public library" would mean the term as defined in Section 2 of the State Aid to Public Libraries Act. (That section defines "public library" as a library that is lawfully established for free public purposes by one or more counties, cities, townships, villages, school districts, or other local governments or a combination of them, or by a public or local act, whose entire interests belong to the general public. The term does not include a special library such as a professional, technical, or school library.)

Section 397 of the Communications Act defines "public broadcast station" as a television or radio broadcast station that either 1) under the rules and regulations of the Corporation for Public Broadcasting in effect on November 2, 1978, is eligible to be licensed by the Corporation as a noncommercial educational radio or television broadcast station and is owned and operated by a public agency or nonprofit private foundation, corporation, or association; or 2) is owned and operated by a municipality and transmits only noncommercial programs for educational purposes.

"Contributions made by the taxpayer" would mean, but would not be limited to, the fair market value of artwork created by the personal effort of the taxpayer that is donated to and accepted as a donation by a qualified organization. The fair market value of a piece of artwork would have to be determined at the time of the donation by independent appraisal.

"Artwork" would mean an original, visual creation of quality executed in any size or shape, in any media, using any kind or type of materials.

Proposed MCL 206.260

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would reduce General Fund revenue by approximately \$24.3 million per year. Between tax year 2006 and 2011, the number of returns claiming the credit each year declined from approximately 290,800 to 257,700 and the total amount claimed each year declined from \$26.0 million to \$23.8 million. Although the School Aid Fund receives revenue from the income tax under Part 1 of the Act, credits are applied against the portion received by the General Fund. As a result, all of the reduction in revenue under the bill would lower General Fund revenue.

Fiscal Analyst: David Zin

S1516\461sa

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.