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BILL ANALYSIS

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Senate Bill 464 (as introduced 9-9-15)
Sponsor: Senator Goeff Hansen
Committee: Finance

Date Completed: 2-2-16

CONTENT

The bill would amend Part 1 of the Income Tax Act (which applies to individuals and noncorporate entities) to allow a taxpayer to claim a credit against the income tax for tax years beginning after December 31, 2015, in an amount equal to 50% of the fair market value of an automobile donated by the taxpayer to a qualified organization that intended to provide the automobile to a qualified recipient.

The value of a passenger vehicle would have to be determined by the qualified organization or by using the value of the automobile in the appropriate guide published by the National Automotive Dealers Association, whichever was less.

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 $50, or for a joint return, $100. If the credit exceeded the tax liability of the taxpayer for the tax year, the excess amount would not be refunded.

"Qualified organization" and "qualified recipient" would mean those same terms as defined in the Use Tax Act. Under that Act, "qualified organization" means an organization that applies for certification by July 1 of the year in which an exemption is claimed under the Act and is certified by the Department of Treasury as meeting several requirements, including exemption from taxation under Section 501(c)(3) of the Internal Revenue Code (which generally applies to a nonprofit, charitable organization).

The Use Tax Act defines "qualified recipient" as a person certified by a qualified organization as meeting all of the following requirements:

-- The qualified recipient receives or, if he or she applied, would be eligible to receive public assistance through a program created and administered under the Social Welfare Act.
-- The qualified recipient has a valid Michigan operator's or chauffeur's license.
-- The qualified recipient is financially capable of meeting any loan payment, insurance payment, or other expenditure associated with the eligible vehicle.
-- Public transportation is not reasonably available to the qualified recipient, the recipient has no other reliable means by which to commute to his or her place of employment, and the recipient will use the eligible vehicle as his or her primary means of transportation to commute to and from his or her place of employment.
-- The qualified recipient has a demonstrated ability to maintain employment.
-- If the qualified recipient is currently employed for not less than an average of 20 hours per week, he or she requires an automobile to retain his or her current employment or to accept a verified offer of employment in a position that is demonstrably superior to his or her current position of employment.

-- If the qualified recipient is not currently employed or is employed for less than an average of 20 hours per week, he or she requires an automobile to accept a verified offer of employment of not less than an average of 20 hours per week and cannot begin employment in that position without an automobile.

Proposed MCL 206.269 Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would reduce General Fund revenue by approximately $100,000 per year. Between tax years 2007 and 2011, the number of individuals claiming a previous credit for donating an automobile declined each year from approximately 3,000 to 1,000 and the total amount claimed each year declined from $150,000 to $70,000. 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

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