

Legislative Analysis



NEW INCOME TAX CHECKOFF: FOSTERING FUTURES SCHOLARSHIP TRUST FUND

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<http://www.house.mi.gov/hfa>

Senate Bill 196 reported from House committee w/o amendment
Sponsor: Sen. Marty Knollenberg

Analysis available at
<http://www.legislature.mi.gov>

Senate Bill 197 reported from House committee as substitute H-1
Sponsor: Sen. Peter MacGregor

House Committee: Families, Children, and Seniors
Senate Committee: Finance

Complete to 2-26-18

(Enacted as Public Acts 252 and 253 of 2018)

SUMMARY:

Senate Bills 196 and 197 would place an additional check-off box on the individual state income tax return form to allow taxpayers to make voluntary donations to the Fostering Futures Scholarship Trust Fund. The Trust Fund provides educational scholarships for foster care students.

Senate Bill 196 would amend the Fostering Futures Scholarship Trust Fund Act to allow the Fostering Futures Scholarship Trust Fund to receive donations from taxpayers for credit into the Trust Fund. The Trust Fund was created by Public Act 530 of 2014 and is a charitable and educational endowment fund that provides scholarships for postsecondary education for eligible foster care students.

Money in the Trust Fund is subject to appropriation each year and can only be appropriated when the balance is above \$500,000. Any amount remaining in the Trust Fund at the end of the year does not lapse into the general fund.

MCL 722.1029

Senate Bill 197 would amend the Income Tax Act to add the Fostering Futures Scholarship Trust Fund to the list of organizations to which a taxpayer can designate a contribution. This would begin for tax year 2018. The bill would also delete provisions regarding organizations that have been removed from the voluntary contribution schedule in recent years (see ***Background Information***, below).

MCL 206.435

The bills are tie-barred, meaning that neither can take effect unless both are enacted into law.

FISCAL IMPACT:

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

The income tax checkoff contributions are voluntary and have no state revenue impact.

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 chart shows the contributions from the 2016 tax year, through 10-16-17, as provided by the Department of Treasury:

Voluntary Contributions in 2016 Tax Year

Fund	Contributors	Contributions
ALS of Michigan Fund	1,944	\$27,832
Alzheimer's Association of Michigan	2,948	\$40,388
Animal Welfare Fund	3,802	\$49,673
Children of Veterans Tuition Grant Program	2,350	\$34,927
Children's Trust Fund	3,449	\$45,146
Junior Achievement	677	\$7,605
Military Family Relief Fund	3,152	\$56,191
Red Cross	2,036	\$24,390
Special Olympics Michigan	2,405	\$37,731
United Way Fund	1,815	\$61,491
Total		\$385,374

The following contribution designations are on the 2017 tax form: Michigan Junior Achievement Fund, American Red Cross Michigan Fund, Animal Welfare Fund, Children's Trust Fund, Military Family Relief Fund, and United Way Fund.¹

The following were once on the state income tax form but have been dropped: ALS of Michigan Fund, Michigan Alzheimer's Association Fund, Children of Veterans Tuition Grant Program, Special Olympics Michigan Fund, Girl Scouts of Michigan Fund, Prostate

¹ See 2017 Voluntary Contributions Schedule, Form 4642.
http://www.michigan.gov/documents/taxes/4642_608979_7.pdf

Cancer Research Fund, Amanda's Fund for Breast Cancer Prevention and Treatment, Michigan Housing and Community Development Fund, Michigan Law Enforcement Officers Memorial Monument Fund, Renewable Fuels Fund, Michigan Council for the Arts Fund, Foster Care Trust Fund, Michigan Amber Alert Fund, Children's Miracle Network Fund, and Children's Hospital of Michigan Fund.

Public Act 151 of 2012 amended the Income Tax Act to make a number of changes to the voluntary contribution schedule. The changes included the following:

- The contribution schedule cannot contain more than 10 separate contribution designations in any single tax year.
- All money appropriated from contributions must be distributed as required by the appropriate fund within one year, and none may 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.

BRIEF DISCUSSION:

According to testimony, the Fostering Futures Scholarship program is a valuable resource to students who may not otherwise have the financial resources to attend college. Recipients can use the scholarship awards for a variety of expenses, including room and board, books, and fees, and the scholarship is often an important resource in allowing eligible students to pursue their academic goals. By raising money through the income tax checkoff, the program will be able to serve more students.

HOUSE COMMITTEE ACTION:

The House Committee on Families, Children, and Seniors adopted and reported an H-1 substitute for Senate Bill 197. The substitute removed provisions regarding organizations that have been removed from the voluntary contribution schedule (see ***Background Information***) and changed the start date for the Fostering Futures Scholarship Trust Fund checkoff from the 2017 tax year to the 2018 tax year.

POSITIONS:

Representatives of the following entities testified in support of the bills:

Wayne County Community College (10-19-17)

Representatives of the following entities indicated support for the bills:

Michigan Education Trust (10-19-17)

Fostering Futures Scholarship (10-19-17)

Michigan League for Public Policy (10-19-17)

Michigan Association of Broadcasters (10-19-17)

A representative of the Michigan Department of Treasury testified with a neutral position on the bills. (10-19-17)

Legislative Analyst: Patrick Morris

Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.