

# Legislative Analysis

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## **TAX CHECKOFF FOR MICHIGAN WORLD WAR II LEGACY MEMORIAL FUND**

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

**Senate Bill 816 as passed by the Senate**  
**Sponsor: Sen. Marty Knollenberg**

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

**Senate Bill 817 as passed by the Senate**  
**Sponsor: Sen. Steven Bieda**

**House Committee: Tax Policy**  
**Senate Committee: Finance**  
**Complete to 5-15-18**

### **SUMMARY:**

Senate Bills 816 and 817 would place an additional checkoff box on an individual state income tax return form to allow taxpayers to make a voluntary contribution to the Michigan World War II Legacy Memorial fund. The fund would provide funds for donation to the Michigan World War II Legacy Memorial organization to assist in honoring Michigan residents who served in the armed forces and on the home front during World War II and in building Michigan's official monument to these individuals.

Adding a fund to the voluntary contributions form generally requires two bills: one to create the fund that will receive the contributions from taxpayers and direct appropriations from the fund, and one to amend the Income Tax Act to name the fund. In this case, Senate Bill 817 creates the fund and Senate Bill 816 amends the Income Tax Act.

### **DETAILED SUMMARY:**

Senate Bill 817 would create a new act, the Michigan World War II Legacy Memorial fund act. It would create the Michigan World War II Legacy Memorial fund within the Department of Treasury, which would provide funds for donation to the Michigan World War II Legacy Memorial organization for the use described above.

The department would be the administrator of the fund. The state treasurer would credit to the fund all amounts appropriated under the income tax checkoff, and deposit money from any other source into the fund. The state treasurer would direct the investment of the fund. Money in the fund at the close of the year would remain in the fund and not lapse to the general fund. Money, interest, and earnings of the fund would be expended solely for donation to the Michigan World War II Legacy Memorial organization; the money in the fund available for distribution would be appropriated each year. Money granted or received as a gift or donation would be available for distribution upon appropriation.

Senate Bill 816 would amend the Income Tax Act (MCL 206.435) to add the Michigan World War II Legacy Memorial fund to the list of funds 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 donation schedule in recent years.

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

## **BACKGROUND INFORMATION:**

The state income tax return contains a separate voluntary contribution form that allows taxpayers to make donations of \$5, \$10, or more to select charitable funds, with the donation either reducing a tax refund or increasing a tax due.<sup>1</sup> The funds become eligible for the contributions through legislative action, as the Income Tax Act must be amended to name the fund. The fund then appropriates money according to the statute that creates the fund; appropriations are generally made to a specific charitable organization or to multiple organizations or individuals related to a specific issue or cause.

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 a single tax year for two consecutive tax years. A number of funds have been removed in recent years.

The following chart shows the contributions from the 2017 tax year, through May 11, 2018, as provided by the Department of Treasury.

### **Voluntary Contributions in 2017 Tax Year**

<b>Fund</b>	<b>Contributors</b>	<b>Contributions</b>
Animal Welfare Fund	8,602	\$102,966
Children's Trust Fund	6,257	\$72,400
Junior Achievement	2,156	\$20,120
Military Family Relief Fund	6,999	\$104,269
Red Cross	5,605	\$67,816
United Way Fund	4,173	\$96,020
<b>Total</b>		<b>\$463,591</b>

Public Act 151 of 2012 amended the Income Tax Act to make a number of changes to the voluntary contribution schedule. The changes include 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 specific fund within one year, and none can 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

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<sup>1</sup> See 2017 Voluntary Contributions Schedule, Form 4642.  
[https://www.michigan.gov/documents/taxes/4642\\_608979\\_7.pdf](https://www.michigan.gov/documents/taxes/4642_608979_7.pdf)

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:
  - Has 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.

#### **FISCAL IMPACT:**

These are voluntary contributions that have no state revenue impact.

The bills would have an indeterminate, but likely negligible, fiscal impact on the Department of Treasury. The provisions of the bill 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.

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■ 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.