

Legislative Analysis



NEW INCOME TAX CHECKOFF: LIONS OF MICHIGAN FOUNDATION

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House Bill 4030 (H-1) as reported from committee
House Bill 4031 as reported from committee w/o amendment
Sponsor: Rep. Wendell L. Byrd
Committee: Tax Policy
Complete to 2-9-18

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

SUMMARY:

House Bills 4030 and 4031 would place an additional check-off box on the individual state income tax return form to allow taxpayers to make a voluntary donation to the Lions of Michigan Foundation Fund. The Lions of Michigan Foundation would provide funds to assist Michigan Lions Clubs and other charities that provide services aimed at helping children and adults with sight and hearing deficiencies and improve the quality of life for people with unmet needs.

House Bill 4030 would amend the Income Tax Act (MCL 206.435) to add the Lions of Michigan Foundation 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 donation schedule in recent years (see **BACKGROUND INFORMATION**, below).

House Bill 4031 proposes a new act to create the Lions of Michigan Foundation Fund within the Department of Treasury. The fund would provide money for donation to the Lions of Michigan Foundation. The state treasurer would direct the investment of the fund and credit to the fund all amounts appropriated from the income tax checkoff. Money in the fund could only be expended for purposes described in the proposed act (that is, related to helping individuals with sight and hearing deficiencies and other unmet needs), and money received as a gift or donation to the fund would be available for distribution upon appropriation to each county from which the donation was received. Money could be used as matching funds for any federal grants if the funds were used for a similar purpose. Finally, money in the fund available for distribution must be appropriated each year, and money in the fund at the close of the year would remain in the fund and not lapse to the general fund.

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

FISCAL IMPACT:

These are voluntary contributions and 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.

BRIEF DISCUSSION:

According to testimony, there are over 450 Lions Clubs across the state that support the communities in which they are located. In addition to their focus on hearing and vision assistance, the clubs support multiple community events and activities that benefit students, adults, and seniors. Supporters believe that the voluntary checkoff on the state income tax form will provide the Lions Clubs with another opportunity to raise money, enhance the status of the organization, and reach a wider array of potential donors.

BACKGROUND INFORMATION:

The state income tax form contains a voluntary contribution schedule that allows taxpayers to make donations of \$5, \$10, or more 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 a 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 Cancer Research Fund, Amanda's Fund for Breast Cancer Prevention and Treatment, Michigan Housing and Community Development Fund, Michigan Law Enforcement Officers Memorial

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

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 (House Bill 5232) 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 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 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.

POSITIONS:

Representatives of the Lions of Michigan Foundation testified in support of the bills. (1-31-18)

A representative of the Michigan Department of Treasury indicated a neutral position on the bills. (1-31-18)

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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.