

Legislative Analysis



TAX CHECKOFF FOR KIWANIS FUND

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

House Bill 5739 as reported from committee w/o amendment
Sponsor: Rep. Steve Marino

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

House Bill 5740 as reported from committee w/o amendment
Sponsor: Rep. Diana Farrington

Committee: Tax Policy
Complete to 5-29-18

BRIEF SUMMARY:

House Bills 5739 and 5740 would place an additional checkoff box on an individual state income tax return form to allow taxpayers to make a voluntary contribution to the Kiwanis fund. The fund would provide funds for donation to any Kiwanis club or organization located in Michigan to improve the world by making lasting differences in the lives of children.

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, House Bill 5740 creates the fund and House Bill 5739 amends the Income Tax Act.

DETAILED SUMMARY:

House Bill 5740 would create a new act, the Kiwanis fund act. It would create the Kiwanis fund in the Department of Treasury, which would provide funds for donation to any Kiwanis club or organization for use as described above.

The state treasurer would credit to the fund all amounts appropriated under the income tax checkoff, and the fund would consist of the income tax contributions, any interest and earnings from the saving and investment of that money, and other appropriations, money, or things of value received by the fund. The state treasurer would direct the investment of the fund. Money, interest, and earnings of the fund would be expended solely for the purposes described in the act. Money granted or received as a gift or donation would be available for distribution upon appropriation to each county from which a contribution, gift, or donation was received. Money from the fund could be used as matching funds for a federal grant if the funds were used for purposes of making lasting differences in the lives of children. Money in the fund at the close of the year would remain in the fund and not lapse to the general fund.

House Bill 5739 would amend the Income Tax Act (MCL 206.435) to add the Kiwanis 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.¹ 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 that support 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

Fund	Contributors	Contributions
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
Total		\$463,591

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

¹ See 2017 Voluntary Contributions Schedule, Form 4642.
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.

POSITIONS:

Representatives of Kiwanis Michigan testified in support of the bills. (5-16-18)

The Michigan Department of Treasury indicated a neutral position regarding the bills. (5-16-18)

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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.