



Senate Fiscal Agency  
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## BILL ANALYSIS



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Senate Bill 405 (Substitute S-1 as reported by the Committee of the Whole)  
Sponsor: Senator Tonya Schuitmaker  
Committee: Finance

**CONTENT**

The bill would amend Part 1 of the Income Tax Act to do the following:

- Allow a taxpayer, for tax years beginning after January 1, 2018, to claim a credit against the income tax equal to 50% of the amount of charitable contributions made by the taxpayer to a homeless shelter; food bank; food kitchen; other entity located in the State that provides overnight accommodation, food, or meals to indigent people; zoo; community foundation; or museum.
- Limit the amount of the credit for a taxpayer other than a resident estate or trust to \$100, or \$200 for a joint return, and, for a resident estate or trust, up to 10% of the taxpayer's tax liability for the tax year before claiming any credits allowed by the Act or \$5,000, whichever was less.
- Specify that if the amount of the credit exceeded the tax liability of the taxpayer for the tax year, the excess portion could not be refunded.
- Allow an entity other than a community foundation to request the Department of Treasury to determine if a contribution to that entity qualified for the proposed credit.
- Allow a taxpayer to claim a credit for contributions to a community foundation made within an 18-month period after a community foundation was incorporated or established if certain criteria were met.
- Require a community foundation having an endowment value of \$1.0 million or more to subject itself to an annual independent financial audit.
- Require the Department to report annually to House and Senate committees the total amount of tax credits claimed under the bill for the immediately preceding tax year.

Proposed MCL 206.261

Legislative Analyst: Drew Krogulecki

**FISCAL IMPACT**

The bill would reduce General Fund revenue by approximately \$23.5 million per year. Between tax years 2006 and 2011, the number of returns claiming the credit for contributions to homeless shelters and food banks remained relative stable, at approximately 234,500 each year, as did the number of returns claiming the community foundation credit, at approximately 38,900. Similarly, the total amount claimed each year under each credit remained stable, at approximately \$18.7 million for the homeless shelter/food bank credit and approximately \$3.3 million for the community foundation credit. Credits for donations to cultural institutions such as museums and zoos reduced revenue by approximately \$1.5 million per year. 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.

The actual revenue reduction from the bill could be greater than estimated based on the historical cost of the credits, because the bill would not reinstate a significant restriction on

eligible contributions. When the credit for donations to food banks and homeless shelters existed before in Michigan statute, in order to qualify for the credit, donations from resident estates and trusts could not have been deducted in arriving at Federal taxable income. Because the bill would not reinstate this provision, resident estates and trusts would be able to claim the credit for contributions that also were used to reduce Federal taxable income, presumably increasing the number and amount of contributions that would be claimed under the credit.

Date Completed: 12-13-17

Fiscal Analyst: David Zin