



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 405 (as reported without amendment)
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 to claim a credit against the income tax for tax years beginning after January 1, 2018, for donations of cash and food to a homeless shelter, food bank, or food kitchen, and for contributions to a community foundation meeting certain criteria, in an amount up to 50% of the sum of the cash amount and the value of food items the taxpayer contributed.
- Limit the amount of a 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 credits allowed under the bill 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 that the Department of Treasury to determine if a contribution to that entity qualified for the proposed credit.
- Allow a taxpayer to claim a credit under the bill 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 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.
- Require a community foundation having an endowment value of \$1.0 million or more to subject itself to an annual independent financial audit.

Proposed MCL 206.261

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would reduce General Fund revenue by approximately \$22.0 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. 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.

Date Completed: 12-1-17

Fiscal Analyst: David Zin