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BILL



ANALYSIS

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House Bills 5739 and 5740 (as passed by the House)
Sponsor: Representative Steve Marino (H.B. 5739)
Representative Diana Farrington (H.B. 5740)
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 6-11-18

CONTENT

House Bill 5739 would amend the Income Tax Act to include a proposed Kiwanis Fund among the funds eligible for voluntary contributions on the State income tax return (check-offs), starting with the 2018 tax year.

House Bill 5740 would enact the "Kiwanis Fund Act" to do the following:

- Create the "Kiwanis Fund" within the Department of Treasury to provide funds for donation to Kiwanis clubs or organizations located in Michigan.
- Require money raised from the proposed tax return check-off to be credited to the Fund.
- Require that the money, interest, and earnings of the Fund be spent solely for donation to Kiwanis clubs or organizations.

The bills are tie-barred.

House Bill 5739

Section 435 of the Income Tax Act allows an individual to designate on his or her annual State income tax return that contributions of \$5, \$10, or more of his or her refund be credited to any of the funds listed in that section. If an individual's refund is not sufficient to make a contribution, he or she may designate a contribution amount to be added to his or her tax liability for the tax year.

The Department of Treasury is required to prepare a contributions schedule that includes the authorized funds. The schedule may not include more than 10 separate check-offs in a single year, and the Department must discontinue a check-off that fails to raise \$50,000 in a tax year for two consecutive years.

Check-offs for the following are included on the 2017 Michigan Voluntary Contributions Schedule form: the American Red Cross Michigan Fund; the Animal Welfare Fund; the Children's Trust Fund; the Michigan Junior Achievement Fund; the Military Family Relief Fund; and the United Way Fund.

The bill would add the Kiwanis Fund to the list of check-offs, beginning in the 2018 tax year.

House Bill 5740

The bill would create the Kiwanis Fund within the Department of Treasury for the purpose of providing 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".

The Fund would consist of the money credited to it under Section 435 of the Income Tax Act, any interest and earnings accruing from the saving and investment of that money, and other appropriations, money, or other things of value received by the Fund. The State Treasurer would have to credit to the Fund all amounts appropriated for that purpose under Section 435.

The money, interest, and earnings of the Fund would have to be spent solely for the purposes described in the proposed Act. The money in the Fund that was available for distribution would have to be appropriated each year. Money granted or received as a gift or donation to the Fund 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 those funds were to be used for the purposes described above.

The State Treasurer would have to direct the investment of the Fund. Money in the Fund at the close of the year would have to remain in the Fund and could not lapse to the General Fund.

MCL 206.435 (H.B. 5739)

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bills would have no impact on State revenue and minimal costs to the Department of Treasury that would be within current appropriations. The one-time costs associated with including an additional income tax check-off option would be part of the annual costs to update the income tax form each year. The ongoing costs associated with administering the Kiwanis Fund would be less than \$100 and within current appropriations.

The bills would have no fiscal impact on local government.

Fiscal Analyst: Cory Savino

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.