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SFA BILL ANALYSIS

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Senate Bill 695 (as introduced 9-24-97)
Sponsor: Senator Bill Schuette
Committee: Finance

Date Completed: 9-30-97

CONTENT

The bill would amend the Income Tax Act to increase two credits that a taxpayer may claim against the income tax, for contributions to a community foundation and a shelter for the homeless or food bank. The bill also would place additional requirements on community foundations.

Under the Act, a taxpayer may claim a credit against the income tax equal to 50% of the amount he or she contributes in a tax year to a community foundation, and 50% of the amount he or she contributes to a homeless shelter, food bank, food kitchen, or other entity that provides overnight accommodations and food to the indigent. The credit claimed by a taxpayer cannot exceed $100/$200 for a single/joint return for contributions to a community foundation, and cannot exceed $100/$200 for a single/joint return for contributions to a homeless shelter, etc. The bill would increase the maximum credits a taxpayer may claim to $150/$300 for a single/joint return, for tax years 1997 and thereafter.

Currently, a community foundation must meet certain requirements listed in the Act in order for the Department of Treasury to certify the entity as a community foundation. In addition to other requirements, a community foundation must be publicly supported (as defined by U.S. Department of Treasury regulations). The bill provides that, to maintain its certification, a community foundation would have to submit documentation to the Michigan Department of Treasury, each year, that demonstrated compliance with the U.S. Department of Treasury's regulations. Currently, a community foundation must be incorporated or established as a trust before September 1 each year. The bill provides that a community foundation would have to be incorporated or established as a trust at least six months before the beginning of the tax year for which a credit was claimed; and have an endowment value of at least $25,000 within six months after being incorporated or established.

A community foundation also would have to meet the following requirements:

-- Have an independent governing body that was broadly representative of general public interest and was not appointed by a single entity.
-- Provide evidence to the Department that the community foundation had at least one part-time or full-time paid employee, within six months after the community foundation was incorporated or established, and maintained continually during the tax year for which the credit was claimed.
-- Be subject to an annual independent financial review, and an independent financial audit every three years, and provide copies of the review and audit to the Department within three months after the completion of the review or audit.
-- In addition to all other criteria listed, for a community foundation that was incorporated or

established after the effective date of the bill, operate in a county that was not served by a community foundation when the community foundation was incorporated or established, or operate as a geographic component of an existing certified community foundation.

MCL 206.261 Legislative Analyst: G. Towne

FISCAL IMPACT

Increasing the community foundation credit, as proposed in this bill, would reduce income tax revenue by an estimated $300,000 in FY 1997-98. The increase in the homeless shelter/food bank credit, also proposed in this bill, would reduce income tax collections by an estimated $1.5 million in FY 1997-98. These estimates are based on historical data on the number of taxpayers claiming these credits. Most of this increase in these credits would be realized by taxpayers through larger income tax refunds, so this loss in revenue would primarily affect General Fund/General Purpose revenue.

Fiscal Analyst: J. Wortley

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