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Senate Bill 772 (Substitute S-1 as reported)  
Sponsor: Senator Dale L. Shugars  
Committee: Finance

## **CONTENT**

The bill would amend the Income Tax Act to allow a taxpayer, after December 31, 1999, to claim a credit against the tax equal to 50% of total contributions made by the taxpayer in a tax year to "educational organizations". The maximum credit allowed would be \$100, or \$200 for a joint return. If the credit claimed exceeded the taxpayer's tax liability for the tax year, the portion of the credit that exceeded the tax liability would have to be refunded. A contribution used by a taxpayer to calculate the credit could not be used to claim a credit as a contribution to a community foundation, shelter for homeless persons, food kitchen, food bank, or other entities whose primary purpose was to provide accommodations or meals to the indigent.

Under the bill, an educational organization would be a school district, local act school district, or intermediate school district, as defined in the Revised School Code; a public school academy operated under the Code; a continuing, community, or adult education program operated by a school district or a public school academy; or an "educational foundation". An educational foundation would be an organization that applied for certification by April 1 each year, and that the Department of Treasury certified as meeting the following requirements: 1) qualified for a 501(c)(3) Federal income tax exemption under the Internal Revenue Code; 2) maintained an ongoing program to attract new endowment funds; 3) dedicated all funds, gifts, and bequests exclusively to a school district, public school academy, or to a foundation exempt from Federal tax, located in Michigan in the area served by the educational foundation; 4) was publically supported as defined by U.S. Department of Treasury regulations, and submitted documentation to the State Department of Treasury each year that demonstrated continued compliance with the bill's requirements; 5) met the requirements of the U.S. Department of Treasury for treatment as a single entity; 6) was incorporated or established as a trust; 7) had an independent governing body that represented the general public's interest and that was not appointed by a single outside entity; and 8) was subject to an annual independent financial audit.

Proposed MCL 206.267

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

This bill would reduce income tax liabilities by an estimated \$21 million for the 2001 tax year (FY 2001-02), which is the first tax year it would be fully in effect. In addition, because this credit would go into effect retroactively in the 1999 tax year, contributions made in 1999 and 2000 could not be claimed under this credit until FY 2000-01, so there also would be some reduction in revenues, of a lesser amount, in FY 2000-01. The estimated \$21 million reduction in income tax revenue in FY 2001-02 would reduce General Fund/General Purpose revenue an estimated \$20 million and School Aid Fund revenue \$1 million.

Date Completed: 5-22-00

Fiscal Analyst: J. Wortley