



Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 128 (Substitute S-1 as reported)
Sponsor: Senator John N. Damoose
Committee: Finance, Insurance, and Consumer Protection

CONTENT

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

- Allow a taxpayer, beginning on and after January 1, 2023, to claim a credit against the individual income tax in an amount equal to 50% of the sum of the taxpayer's contributions to a homeless shelter, food kitchen, or food bank if the taxpayer received a written acknowledgement from the entity for which the contribution was made.
- Limit the maximum amount of the credit to no more than \$100, \$200 for a joint return, or, in the case of a resident estate or trust, 10% of the taxpayer's total tax liability or \$5,000, whichever was less.
- Allow an entity to request that the Department of Treasury determine whether a contribution to that entity would qualify for the credit.

Proposed MCL 206.260

BRIEF RATIONALE

Legislation enacted in 2011 deleted a provision of the Act that allowed individuals to receive a 50% tax credit for the sum of their contributions to certain entities. Following this elimination, it has been reported that organizations saw a decrease in contributions, leading some people to believe that the tax credit incentivized individuals to contribute. Accordingly, it has been suggested that these tax credits be reinstated to encourage more philanthropy.

PREVIOUS LEGISLATION

(Please note: This section does not provide a comprehensive account of all previous legislative efforts on the relevant subject matter.)

The bill is, in part, similar to Senate Bill 405 of the 2017-2018 Legislative Session. Senate Bill 405 was reported out of the Senate Committee on Finance and was passed by the Senate but received no further action.

Legislative Analyst: Eleni Lionas

FISCAL IMPACT

The bill would reduce General Fund revenue by approximately \$18.7 million per year. Between tax years 2006 and 2011, Michigan allowed an identical credit and the number of returns claiming the credit remained relatively stable, at approximately 234,500 each year. Similarly, the total amount claimed each year under each credit remained stable, at approximately \$18.7 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.

Date Completed: 4-28-23

Fiscal Analyst: David Zin

floor\sb128

Bill Analysis @ www.senate.michigan.gov/sfa

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.