

# Legislative Analysis



## FOOD BANK AND COMMUNITY FOUNDATION INCOME TAX CREDITS

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 6433 as introduced**  
**Sponsor: Rep. Jeffrey R. Noble**

Analysis available at  
<http://www.legislature.mi.gov>

**House Bill 6434 as introduced**  
**Sponsor: Rep. Brandt Iden**

**1st Committee: Tax Policy**  
**2nd Committee: Regulatory Reform**  
**Complete to 11-30-18**

### SUMMARY:

House Bills 6433 and 6434 would amend the Income Tax Act to provide taxpayers a nonrefundable credit against the income tax equal to 50% of the amount contributed to, respectively, a food bank or homeless shelter (HB 6433) or a *community foundation* (HB 6434). Except for a resident estate or trust, the amount of the credit under each bill could not exceed \$100 (or \$200 for a joint return). For a resident estate or trust, each credit could not exceed 10% of the taxpayer's tax liability for the year (before claiming any credits) or \$5,000, whichever is less.

More specifically, the credit under House Bill 6433 could be calculated based on the aggregate amount of charitable contributions made during the tax year to a shelter for homeless persons, a food kitchen, a food bank, or another entity in this state that has as its primary purpose providing overnight accommodation, food, or meals to indigent persons, including the value of food items contributed in conjunction with a program in which a vendor makes a matching contribution of similar items in the tax year to homeless shelters, food kitchens, food banks, or other entities.

For purposes of House Bill 6434, *community foundation* would mean an organization that the Department of Treasury certifies as meeting the following (among other requirements):

- Is a publicly supported nonprofit organization that has been in existence for at least 10 years and has assets of at least \$1.0 million.
- Supports a broad range of charitable activities within the specific geographic area of this state that it serves, such as a municipality or county.
- Maintains an ongoing program to attract new endowment funds by seeking gifts and bequests from a wide range of potential donors in the geographic area served.

The bills are tie-barred to one another, which means that neither can take effect unless both are enacted.

Proposed MCL 206.260 (HB 6433) and 206.261 (HB 6434)

## **BACKGROUND INFORMATION:**

The homeless shelter/food bank and community foundation credits were repealed by Public Act 38 of 2011 (House Bill 4361) as part of a bill package that replaced the Michigan Business Tax with the Corporate Income Tax and made general revisions to the personal income tax part of the Income Tax Act.<sup>1</sup> The repeal of the credits was effective beginning with the 2012 tax year. House Bills 6433 and 6434 would reinstate the credits, with minor changes that include enacting the credits as two separate sections of the Income Tax Act rather than as the single section they were in before being repealed.

House Bills 6433 and 6434 are similar to Senate Bill 405 of the current session, which would reinstate the credits by adding a single section to the Income Tax Act and, as passed by the Senate as an S-1 substitute, would additionally allow a credit based on contributions in the tax year to a museums or a zoo as delineated in the bill.

## **FISCAL IMPACT:**

As written, the bills would reduce income tax revenue by approximately \$24.0 million on an annual basis. The community foundation credit would reduce revenue by about \$3.5 million, while the homeless shelter/food bank credit would reduce revenue by about \$20.5 million. Because the credits would increase refunds (or reduce owed balances), most (if not all) of the impact would be borne by the general fund.

Legislative Analyst: Rick Yuille  
Fiscal Analyst: Jim Stansell

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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<sup>1</sup> House Fiscal Agency analysis of PA 38 of 2011 (HB 4361): <http://www.legislature.mi.gov/documents/2011-2012/billanalysis/House/pdf/2011-HLA-4361-6.pdf>