

Legislative Analysis



MILITARY FAMILY RELIEF FUND

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House Bill 5953 (Substitute H-1)

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Sponsor: Rep. Fulton Sheen

Committee: Veterans Affairs and Homeland Security

First Analysis (6-30-04)

BRIEF SUMMARY: The bills would create the Military Family Relief Fund, to be funded through an income tax check-off, to provide financial assistance to needy families of members of the National Guard and reserve forces.

FISCAL IMPACT: Because this is a voluntary contribution, there would be no impact on income tax revenues. However, there could be a small administrative cost.

THE APPARENT PROBLEM:

Michigan has approximately 2,200 members of the National Guard and 425 members of the reserve forces serving in active duty in response to the war on terrorism. These individuals and their families sacrifice a great deal to defend our nation and our freedoms. When these individuals are called into active duty, they often lose their civilian pay, although do receive pay for their military service. However, this military pay often does not make up for the lost civilian pay, and these families typically suffer drops in income and purchasing power. While their income often drops significantly, their expenses generally remain constant or even increase. As a result, some military families are finding it increasingly difficult to pay for the necessities of daily living, such as food, clothing, car payments, mortgages, and insurance. Moreover, unexpected household expenses, such as major home or car repairs strain these already fragile budgets even further. Also, increasingly lengthy service call-ups are prolonging the financial problems of these families. While a network of family, friends, veterans' organizations, and charitable organizations have helped military families make it through these rough times, some people believe that more can be done. To that end, legislation establishing a relief fund that would provide military families with assistances grants has been introduced.

THE CONTENT OF THE BILLS:

House Bill 5953

The bill would amend the Income Tax Act to create a tax check-off program for tax years between December 31, 2003 and January 1, 2008 to permit a taxpayer to designate a contribution of \$1 or more to the Military Family Relief Fund. The contribution would be subtracted from the taxpayer's refund or added to his or her tax liability. The check-off would have to be clearly and unambiguously printed on the first page of all income

tax return forms, if practicable. Twenty percent of the donations would be provided to the post and posthumous funds of the Michigan soldiers' home for use pursuant to Public Act 313 of 1913, and 80 percent would be credited to the Military Family Relief Fund. The bill is tie-barred to House Bill 5954

House Bill 5954

Military Family Relief Fund - The bill would create the Michigan Family Relief Fund as a separate fund in the Department of Military and Veterans Affairs. The state treasurer would credit to the fund the amount designated to the fund under the income tax check-off program, would direct investment of the fund, and credit to the fund any interest and earnings. Each year, an amount equal to the cumulative designations under the check-off program (plus interest and earnings) would be appropriated from the general fund to the Military Family Relief Fund. Money in the fund could not be used for administrative costs.

Assistance Grants - Money in the fund would be used to provide assistance grants to the families of members of a reserve component of the U.S. Armed Forces based in the state, or of a resident of the state serving in a reserve component based in another state, who is called to active duty by the President of the United States or secretary of defense in response to the September 11th attacks or a national emergency declared by the president. The family would have to document a need for financial assistance for clothing, food, housing, utilities, medical services or prescriptions, insurance payments, vehicle payments, or other related necessities of daily living while the qualified individual is on active duty or has a service-related injury or illness. The grants would be capped at \$2,000 per calendar year, but the Department of Military and Veterans Affairs could provide more assistance in "extreme" cases. The department would begin disbursing money in the fund within the first 30 days of each calendar year.

Applications for Assistance - The Department of Military and Veterans Affairs would determine the specific eligibility criteria (level of need) to receive an assistance grant. Within 30 days of receiving an application, the department would have to notify applicants of their eligibility, the amount of assistance provided (if any), the date by which the assistance should be received, or the reasons for denying an application.

BACKGROUND INFORMATION:

Other Military Family Relief Funds. The idea of military family relief funds appears to have begun with Illinois Lt. Governor Pat Quinn. He led the effort in Illinois to create Illinois Military Family Relief Fund, and has also worked to establish similar funds in other states. The Illinois fund was established with an initial \$5 million appropriation and has thus far provided more than \$1.3 million in support to over 2,500 military families. The fund also receives support through an income tax checkoff and solicits donations from groups, businesses, and individuals. The Lieutenant Governor has actively solicited donations through a public awareness campaign, including events on major holidays, such as Memorial Day, President's Day, and Independence Day. Also,

one minor league baseball team gave a \$1 donation from each ticket sold at recent game to the fund . The Lt. Governor's office also maintains a web site, which has received more than seven million "hits", at <http://www.operationhomefront.org>, which provides information on the military family relief fund and other services for Illinois military families. The Illinois program is slightly different than the program proposed by House Bills 5953 and 5954, as it provides three levels of support. First, members of the National Guard or reserve components and their families are eligible to receive a \$500 grant, simply because of their status. Second, the program offers a need-based grant capped at \$2,000. Finally, the program provides a \$1,000 grant to the families of individuals who were injured or killed or are MIA/POW.

Legislation establishing similar funds is pending in California, Connecticut, Delaware, Iowa, Maine, Minnesota, Missouri, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Washington, and Wyoming.

Income Tax Checkoffs. At present, the income tax form contains one tax checkoff for the gubernatorial state campaign fund, which earned over \$1.5 million in tax year 2002. In their final year of existence (1999), the Children's Trust Fund checkoff earned approximately \$938,000 and the Nongame Wildlife Fund checkoff earned approximately \$534,000.

In addition to the House Bill 5953, there is pending legislation to provide an income tax checkoff for home heating assistance, the Michigan disability sports alliance, breast cancer research, prostate cancer research, the Michigan Veterans Trust Fund, and the state park endowment fund.

ARGUMENTS:

For:

These bills aim at helping individuals in the National Guard and reserve forces and their families meet their financial obligations, while the individual is called into active duty. To quote Illinois Lt. Governor Pat Quinn: "Citizen soldiers such as members of the [National Guard] and reserves have answered the call to duty. They put their lives on the line to defend our freedoms. We owe it to their families to lend a helping hand."

Response:

While this is a very worthy cause, there is some concern over the proliferation of income tax check-offs. Once one check-off is added, the door is open to others as well, which complicates the tax form and creates problems with its design and readability. The availability of check-offs also tends to pit charitable enterprises against one another for state favoritism.

POSITIONS:

The Department of Military and Veterans Affairs supports House Bill 5954, and is neutral on HB 5953. (6-29-04)

The American Legion Department of Michigan supports the bills. (6-29-04)

The Commanders Group of Veterans Organizations supports the bills. (6-29-04)

The Department of Michigan Veterans of Foreign Wars supports the bills. (6-29-04)

The Military Order of Purple Heart supports the bills. (6-29-04)

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