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BILL ANALYSIS

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Senate Bill 652 (Substitute S-2 as reported)
Sponsor: Senator Tom George
Committee: Finance

CONTENT

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

-- Permit taxpayers to take a credit equal to 50% of the aggregate amount of charitable donations made during a tax year (as currently allowed) and, for the 2008 tax year and each subsequent tax year, 50% of the amount donated through April 15 of the following tax year.
-- Specify that a charitable contribution could be used to calculate a credit amount for only one tax year.

The bill would apply to existing credits for charitable contributions, including those to State departments and municipalities for art in public places, the State Museum, the Michigan Colleges Foundation, public libraries, endowment funds of community foundations, shelters for homeless people, food kitchens, and qualified organizations that provide donated vehicles to qualified recipients.

MCL 206.260 et al. Legislative Analyst: Craig Laurie

FISCAL IMPACT

This bill would increase the collective cost of the income tax's public contribution, community foundation, homeless shelter/food bank, and motor vehicle donation credits by an estimated $7.0 million in FY 2008-09 and less than $1.0 million annually in subsequent years. The initial fiscal impact in FY 2008-09 is larger because taxpayers would be able to claim contributions made from January 1, 2008, through April 15, 2009, while in future years taxpayers would be effectively able to claim contributions only made in a 12-month period, which would include contributions made up to the time that their tax return for the previous tax year would be due, which could increase contributions slightly. Undoubtedly, this would make it more difficult for taxpayers to keep track of which contributions were claimed in which tax year, given that charitable organizations report contributions to taxpayers on a calendar year basis as required by the Federal government. As a result, this proposed timing change would likely result in unintentional double claiming of contributions in two different tax years. This estimated loss in income tax revenue would affect the General Fund and would have no direct impact on local government.

Date Completed: 2-15-08 Fiscal Analyst: Jay Wortley