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BILL ANALYSIS

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Senate Bill 652 (as introduced 7-24-07)
Sponsor: Senator Tom George
Committee: Finance

Date Completed: 2-14-08

CONTENT

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

- Permit taxpayers to take a credit for certain charitable donations made during a tax year (as currently allowed) and 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 Act allows a taxpayer to credit against the income tax imposed for a tax year an amount, subject to applicable limits, equal to 50% of the aggregate amount of charitable contributions the taxpayer made during the tax year to any of the following:

- The State, pursuant to the Art in Public Places Act, of artwork created by the taxpayer.
- The State Art in Public Places Fund.
- A municipality, of artwork created by the taxpayer.
- A municipality or a nonprofit corporation affiliated with a municipality and an art institute, of money or artwork, for the purpose of benefiting an art institute in the municipality.
- A public library.
- A public broadcast station that is not affiliated with an institution of higher education.
- An institution of higher education located within the State.
- The Michigan Colleges Foundation.
- The State Museum.
- The Department of State for the preservation of the State Archives.
- A nonprofit corporation, fund, foundation, trust, or association organized and operated exclusively for the benefit of institutions of higher education located within the State.

Also, subject to applicable limits, a taxpayer may credit against the income tax 50% of the amount the taxpayer contributes during the tax year to an endowment fund of a community foundation or 50% of the cash amount the taxpayer contributes during the tax year to a shelter for homeless people, food kitchen, food bank, or other entity whose primary purpose is to provide overnight accommodation, food, or meals to people who are indigent, if a contribution to the entity is deductible for the donor under the Internal Revenue Code.

In addition, a taxpayer may claim a credit, subject to applicable limits, equal to 50% of the fair market value of an automobile donated by the taxpayer to a qualified organization that intends to provide the vehicle to a qualified recipient.

Under the bill, a taxpayer could claim these credits for contributions or donations made during the tax year and through April 15 of the following tax year.

A charitable contribution made under the provisions described above could be used to calculate a credit amount for only one tax year.

MCL 206.260 et al.

Legislative Analyst: Suzanne Lowe

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.

Fiscal Analyst: Jay Wortley

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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.