

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 1382 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Bill Bullard, Jr.
Committee: Finance

CONTENT

The bill would amend the Income Tax Act to allow a taxpayer to deduct from taxable income, to the extent included in Federal adjusted gross income, certain distributions made from a retirement or pension plan to a charitable organization ("qualified charitable distributions"). The bill would apply to tax years beginning after 2000.

A "qualified charitable distribution" would be a distribution of assets to a qualified charitable organization by a taxpayer within 60 days after the date the taxpayer received the assets as a distribution from a qualified retirement or pension plan. A distribution would be to a qualified charitable organization if it were made under any of the following circumstances:

- To a 501(c)(3) organization. (Section 501(c)(3) of the Internal Revenue Code (IRC) exempts from taxation certain charitable organizations.)
- To a charitable remainder annuity trust or charitable remainder unitrust as defined in IRC Section 664(d). (These trusts are dedicated to certain charitable organizations after a specified period of time, or the death of the individual(s) for whom the trust is formed.)
- To a pooled income fund as defined in Section 642(c)(5) of the IRC (which provides that a pooled income fund is a trust in which each donor can make an irrevocable transfer of property to or for the use of certain charitable organizations).
- For the issuance of a charitable gift annuity as defined in Section 501(m)(5) of the IRC (which describes a charitable gift annuity, in part, as an annuity of which a portion is allowed as a deduction for contributions to certain charitable organizations).

A trust, fund, or annuity described above would be a qualified charitable organization only if no person held any interest in it, other than a taxpayer or taxpayer's spouse who received a distribution from a retirement or pension plan; or a 501(c)(3) organization.

The amount a taxpayer could deduct would be equal to the amount deductible by the taxpayer under Section 170(c) of the IRC with respect to the qualified charitable distribution in the tax year in which the taxpayer made the distribution to the qualified charitable organization, minus deductions the taxpayer claimed for retirement or pension benefits (except Social Security benefits), and two times the total amount of credits claimed for contributions to community foundations, food banks, and other specified charitable entities. (Section 170(c) defines "charitable contribution" as a contribution or gift to various specified entities, including the United States, state and local governments, and charitable organizations.)

MCL 206.30

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would reduce income tax revenue an estimated \$0.7 million in FY 2000-01 and \$1.3 million in FY 2001-02. The loss in revenue would primarily affect General Fund/General Purpose revenue.

Date Completed: 11-27-00

Fiscal Analyst: J. Wortley

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Analysis available @ <http://www.michiganlegislature.org>

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.