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BILL ANALYSIS

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Senate Bill 1020 (as introduced 1-22-08)  
Sponsor: Senator Tupac A. Hunter  
Committee: Finance

Date Completed: 3-6-08

### **CONTENT**

The bill would amend the Michigan Business Tax (MBT) Act to allow a qualified financial institution or taxpayer, for the 2008 tax year and each subsequent tax year, to claim a credit against the MBT equal to 75% of the contributions made by the qualified financial institution or by the taxpayer in the tax year to the reserve fund of a fiduciary organization pursuant to the Individual or Family Development Account Program Act.

If the credit for the tax year and any unused carryforward of the credit exceeded the tax liability of the qualified financial institution or taxpayer for the tax year, the excess could not be refunded, but could be carried forward as an offset to the tax liability in subsequent tax years for 10 years or until the excess credit was used up, whichever came first.

The credits under the bill and Section 276 of the Income Tax Act could not exceed an annual cumulative maximum amount of \$1 million. The determination of the maximum would have to be made as provided in the Individual or Family Development Account Program Act. (Under Section 276, a taxpayer who is not an account holder may claim a credit against the income tax equal to 75% of the contributions made in the tax year by the taxpayer to the reserve fund of a fiduciary organization pursuant to the Individual or Family Development Account Program Act.)

"Individual or family development account" would mean an account established under the Individual or Family Development Account Program Act.

"Fiduciary organization" and "reserve fund" would mean those terms as defined in the Individual or Family Development Account Program Act. ("Fiduciary organization" means a charitable organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code that is approved by the director of the Michigan State Housing Development Authority (MSHDA) or his or her designee to manage a reserve fund. A fiduciary organization also may be a program site that is a charitable organization exempt from taxation under Section 501(c)(3) or 501(c)(14) of the Internal Revenue Code that is approved by the MSHDA director or his or her designee to implement the Individual or Family Development Account Program. "Reserve fund" means an account established and managed by a fiduciary organization housed at a financial institution. The reserve fund holds money that is used to match participant savings based on a participant savings plan agreement.)

"Qualified financial institution" would mean a financial institution as defined in the Individual or Family Development Account Program Act (i.e., a State chartered bank, State chartered

savings bank, savings and loan association, credit union, or trust company; or a national banking association or Federal savings and loan association or credit union).

Proposed MCL 208.1426

### **BACKGROUND**

Under the Individual or Family Development Account Program Act, individuals or families whose income is 200% of the Federal poverty level or less may establish a development account. After an individual or family opens an account with a MSHDA-approved program site, the program site must enter into a participant savings agreement to provide funds that match those contributed by the account holder. These accounts may be established only for qualified expenses, including educational expenses of an account holder who is at least 17 years old, the first-time purchase of a primary residence, or start-up capitalization of a business for an account holder who is at least 18.

Legislative Analyst: Craig Laurie

### **FISCAL IMPACT**

This bill would reduce Michigan business tax revenue by less than \$1.0 million annually beginning in FY 2008-09. The General Purpose portion of the General Fund would incur this loss in revenue. Local units of government would not be directly affected by this bill.

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.