

Legislative Analysis



NEW INCOME TAX CHECKOFF: JUNIOR ACHIEVEMENT ORGANIZATIONS

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**House Bills 4817 and 4818 as enacted
Public Acts 181 and 182 of 2016
Sponsor: Rep. Brandt Iden
House Committee: Tax Policy
Senate Committee: Finance
Complete to 3-27-19**

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bills 4817 and 4818 place an additional check-off box on the individual state income tax return form to allow taxpayers to make voluntary donations to any Junior Achievement organization. This applies beginning with the 2016 tax year.

This is added to the list of funds to which a taxpayer may contribute \$5, \$10, or more on an annual tax return. Because the amount of the contribution is deducted from a refund or added to the amount of tax owed, it has no state revenue impact. Under Section 435 of the Income Tax Act, the Department of Treasury has established a separate schedule on the income tax form for contribution designations.

New contribution designations require two bills each. In this instance, House Bill 4818 amends the Income Tax Act (MCL 206.435) to create the checkoff on the individual income tax form, and House Bill 4817 creates the Michigan Junior Achievement Fund to receive donations from taxpayers. The Department of Treasury distributes the funds to the Junior Achievement of Michigan Great Lakes organization for distribution to other Junior Achievement organizations in the state. Money from the fund may be used as matching funds for a federal grant if those funds are to be used for financial literacy, entrepreneurship, and workforce readiness with junior achievement organizations in this state.

Funds are subject to appropriation each year, and any amount remaining in the fund at the end of the year does not lapse into the General Fund.

Specifically, contributions may be made to "any junior achievement organization located in this state to assist each organization in achieving its goals of inspiring and preparing young people to succeed in a global economy by showing them how to generate wealth and effectively manage it, how to create jobs which make their communities more robust, and how to apply entrepreneurial thinking to the workplace."

BACKGROUND INFORMATION:

The state income tax form contains a voluntary contribution schedule that allows taxpayers to make donations on a separate form to certain specially selected charitable programs. The

recipient groups become eligible for the contributions through legislative action. The Income Tax Act must be amended to name the organization. The act also requires the Department of Treasury to remove a contribution designation from the schedule if the designation fails to raise \$50,000 in any single tax year for two consecutive tax years. A number of organizations have been removed in recent years.

The following contributions were on the 2014 tax form: ALS of Michigan Fund, Alzheimer's Association of Michigan, AMBER Alert Fund of Michigan, Animal Welfare Fund, Children of Veterans Tuition Grant Program, Children's Trust Fund, Military Family Relief Fund, Special Olympics Fund, and the United Way Fund. The AMBER Alert Fund will be dropped for the 2015 tax year.

The following were once on the state income tax form but have been dropped: the Girls Scouts of Michigan Fund (dropped for Tax Year 2014), the Prostate Cancer Research Fund, Amanda's Fund for Breast Cancer, the Housing and Community Development Fund, the Law Enforcement Officers Memorial Monument Fund, the Renewable Fuels Fund, the Council for the Arts Fund, the Foster Care Trust Fund, the Children's Miracle Network Fund, and the Children's Hospital of Michigan Fund.

Public Act 151 of 2012 (House Bill 5232) amended the Income Tax Act to make a number of changes to the voluntary contribution schedule. The changes include the following:

- The contributions schedule can contain no more than 10 separate contribution designations in any single tax year.
- All money appropriated from contributions must be distributed as required by the appropriate fund within one year and none can be used for administering the fund.
- If a fund receiving contributions is to be used to donate to multiple organizations, the department responsible for administering the fund must designate one local representative or agency of that organization to administer and distribute the funds (in a manner provided in the act creating the fund).
- When deciding whether to grant approval to an additional contribution designation, the Legislature must consider whether the organization:
 - Serves multiple regions throughout Michigan.
 - Has demonstrated that it is capable of raising more than \$50,000 during the tax year through means other than the income tax contribution designation.
 - Spends 30% or more of its money to cover administrative and fund-raising costs. (Presumably, lower percentages are preferred.)
 - Had previously been included on the contributions schedule within the three immediately preceding years and had been removed for failing to raise a sufficient amount.
 - Receives any other state funds or other type of financial assistance from the state.
 - Is associated with a nonprofit charitable organization.

FISCAL IMPACT:

These are voluntary contributions and have no state revenue impact.

The bills would have an indeterminate, but likely negligible, fiscal impact on the Department of Treasury. The provisions of the bills may create certain administrative costs in administering the fund and amending tax forms to accommodate the checkoff, but these are expected to be minimal and will be absorbed through current appropriation levels.

The following chart shows the contributions from the 2014 tax year, as provided by the Department of Treasury:

Voluntary Contributions in 2014 tax year

Fund	Contributors	Contributions
ALS of Michigan Fund	4,134	\$52,201
Alzheimer's Association of Michigan	5,967	\$69,432
AMBER Alert Fund Of Michigan	3,673	\$29,655
Animal Welfare Fund	8,827	\$98,654
Children of Veterans Tuition Grant Program	4,934	\$54,561
Children's Trust Fund	6,874	\$72,316
Military Family Relief Fund	7,838	\$101,085
Special Olympics Michigan	4,921	\$55,869
United Way Fund	4,018	\$95,201
Total:		\$628,974

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