

Legislative Analysis



FOOD BANK AND COMMUNITY FOUNDATION INCOME TAX CREDITS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6433 as reported from committee
Sponsor: Rep. Jeffrey R. Noble

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

House Bill 6434 (H-1) as reported from committee
Sponsor: Rep. Brandt Iden

1st Committee: Tax Policy
2nd Committee: Regulatory Reform
Complete to 12-12-18

SUMMARY:

House Bills 6433 and 6434 would amend the Income Tax Act to provide taxpayers a nonrefundable credit against the income tax equal to 50% of the amount contributed to, respectively, a food bank or homeless shelter (HB 6433) or a *community foundation* (HB 6434). Except for a resident estate or trust, the amount of the credit under each bill could not exceed \$100 (or \$200 for a joint return). For a resident estate or trust, each credit could not exceed 10% of the taxpayer's tax liability for the year (before claiming any credits) or \$5,000, whichever is less.

More specifically, the credit under House Bill 6433 could be calculated based on the aggregate amount of charitable contributions made during the tax year to a shelter for homeless persons, a food kitchen, a food bank, or another entity in this state that has as its primary purpose providing overnight accommodation, food, or meals to indigent persons, including the value of food items contributed in conjunction with a program in which a vendor makes a matching contribution of similar items in the tax year to homeless shelters, food kitchens, food banks, or other entities.

For purposes of House Bill 6434, *community foundation* would mean an organization that the Department of Treasury certifies as meeting the requirements of a community foundation as provided under the Michigan Community Foundation Act.¹ However, for purposes of HB 6434, the organization would only have to have assets of at least \$1.0 million to qualify for the certification.

The bills are tie-barred to one another, which means that neither could take effect unless both were enacted.

Proposed MCL 206.260 (HB 6433) and 206.261 (HB 6434)

¹ In section 3 of that act: <http://legislature.mi.gov/doc.aspx?mcl-123-903>

BACKGROUND INFORMATION:

The homeless shelter/food bank and community foundation credits were repealed by Public Act 38 of 2011 (House Bill 4361) as part of a bill package that replaced the Michigan Business Tax with the Corporate Income Tax and made general revisions to the personal income tax part of the Income Tax Act.² The repeal of the credits was effective beginning with the 2012 tax year. House Bills 6433 and 6434 would reinstate the credits, with minor changes that include enacting the credits as two separate sections of the Income Tax Act rather than as the single section they were in before being repealed.

House Bills 6433 and 6434 are similar to Senate Bill 405 of the current session, which would reinstate the credits by adding a single section to the Income Tax Act and, as passed by the Senate as an S-1 substitute, would additionally allow a credit based on contributions in the tax year to a museum or a zoo as delineated in the bill.

BRIEF DISCUSSION:

Reinstating the tax credits for certain charitable contributions is expected to incentivize donations. Despite the economy's improvement after years of recession, statistics show that many people remain food-insecure, and Michigan ranks among the highest states for homelessness among elementary, middle school, and high school students. Community foundations (which provide grants to nonprofits in the geographic area served by the foundation), food banks and food kitchens, and homeless shelters can provide an important safety net for families and individuals struggling to get by.

Reportedly, there is evidence showing an association between the tax credit repeal and a drop in donations to these entities. The impact has been greatest on hindering first-time donations. It is believed that restoring the tax credits could restore the pipeline for new donors. The tax credits provided by HBs 6433 and 6434 would be limited to contributions given to those charitable entities providing the basics of life—food and shelter—to Michigan residents most in need.

FISCAL IMPACT:

As written, the bills would reduce income tax revenue by approximately \$24.0 million on an annual basis. The community foundation credit would reduce revenue by about \$3.5 million, while the homeless shelter/food bank credit would reduce revenue by about \$20.5 million. Because the credits would increase refunds (or reduce owed balances), most (if not all) of the impact would be borne by the general fund.

² House Fiscal Agency analysis of PA 38 of 2011 (HB 4361): <http://www.legislature.mi.gov/documents/2011-2012/billanalysis/House/pdf/2011-HLA-4361-6.pdf>

POSITIONS:

Representatives of the following entities testified in support of the bills (12-4-18):

- Council of Michigan Foundations
- Kalamazoo Community Foundation

The following entities indicated support for the bills (12-4-18):

- Food Bank Council of Michigan
- Michigan Nonprofit Association
- Capital Region Community Foundation
- Volunteers of America - Michigan
- Community Foundation for Southeast Michigan
- Michigan League for Public Policy
- Michigan Catholic Conference

The Michigan Department of Treasury indicated opposition to the bills. (12-4-18)

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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.