



Senate Fiscal Agency  
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## BILL ANALYSIS



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Senate Bill 127 (as reported without amendment)  
Sponsor: Senator Sam Singh  
Committee: Finance, Insurance, and Consumer Protection

**CONTENT**

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

- Allow a taxpayer, beginning on and after January 1, 2023, to claim a credit against the individual income tax in an amount equal to 50% of the sum of the taxpayer's contributions to a community foundation's endowment fund.
- Limit the maximum amount of the credit to no more than \$100, \$200 for a joint return, or, in the case of a resident estate or trust, 10% of the taxpayer's total tax liability or \$5,000, whichever was less.
- Require the Department of Treasury to report to the House Committee on Tax Policy and the Senate Committee on Finance, on or before July 1 of each year, the total amount of credits claimed under the bill for the immediately preceding tax year.

Proposed MCL 206.261

**BRIEF RATIONALE**

Legislation enacted in 2011 deleted a provision of the Act that allowed individuals to receive a 50% tax credit for the sum of their contributions to certain entities. Following this elimination, it has been reported that organizations saw a decrease in contributions, leading some people to believe that the tax credit incentivized individuals to contribute. Accordingly, it has been suggested that these tax credits be reinstated to encourage more philanthropy.

**PREVIOUS LEGISLATION**

*(Please note: This section does not provide a comprehensive account of all previous legislative efforts on the relevant subject matter.)*

The bill is, in part, similar to Senate Bill 405 of the 2017-2018 Legislative Session. Senate Bill 405 was reported out of the Senate Committee on Finance and was passed by the Senate but received no further action.

Legislative Analyst: Eleni Lionas

**FISCAL IMPACT**

The bill would reduce General Fund revenue by approximately \$3.3 million per year. Between tax years 2006 and 2011, Michigan allowed an identical credit and the number of returns claiming the credit remained relatively stable, at approximately 38,900 each year. Similarly, the total amount claimed each year under the credit remained stable, at approximately \$3.3 million per year. Although the School Aid Fund receives revenue from the income tax under Part 1 of the Act, credits are applied against the portion received by the General Fund. As a result, all of the reduction in revenue under the bill would lower General Fund revenue.

Date Completed: 4-28-23

Fiscal Analyst: David Zin