

# Legislative Analysis



## VOLUNTARY CONTRIBUTIONS ON STATE INCOME TAX FORM

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**House Bill 5232 (Substitute H-1)**  
**Sponsor: Rep. Jeff Farrington**  
**Committee: Tax Policy**

**Complete to 3-13-12**

### A SUMMARY OF HOUSE BILL 5232 AS REPORTED FROM COMMITTEE

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. That act also currently allows the Department of Treasury to remove a contribution designation from the schedule if the designation fails to raise \$100,000 in any tax year for two consecutive tax years. A number of organizations have been removed in recent years.

House Bill 5232 would amend the Income Tax Act to make a number of changes to Section 435, which deals with the voluntary contribution schedule. The changes include the following:

\*\* The contributions schedule could contain no more than 10 separate contribution designations in any single tax year. (Currently, there are six remaining.)

\*\* The Treasury Department would be required to remove a contribution designation if it failed to raise at least \$50,000 in any single year for two consecutive years. (Currently, the department may remove a designation if it fails to raise \$100,000 in any tax year for two consecutive years.

\*\* All money appropriated from contributions would have to be distributed as required by the appropriate fund within one year and none could 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 would be required to 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.
- 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.

\*\* The bill strikes language authorizing the following contribution designations that are no longer on the state income tax form: 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.

[The following contributions are on the 2011 tax form: Animal Welfare Fund, Children of Veterans Tuition Grant Program, Children's Trust Fund, Girl Scouts of Michigan, Military Family Relief Fund, and United Way Fund.]

**FISCAL IMPACT:**

This bill allows taxpayers to make voluntary contributions to various funds, but does not alter the taxpayer liability. This bill has no state or local fiscal impact.

**POSITIONS:**

The Department of Treasury indicated support for the bills. (3-7-12)

Representatives from the Alzheimer's Association and the Special Olympics indicated support for the bill. (3-7-12)

Legislative Analyst: Chris Couch  
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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.