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INCOME TAX CHECKOFF: VIETNAM MEMORIAL

House Bill 4357 (Substitute H-1) First Analysis (3-20-97)

Sponsor: Rep. Kirk Profit
**First Committee: Senior Citizens and
Veterans Affairs**
Second Committee: Tax Policy

THE APPARENT PROBLEM:

Public Act 234 of 1988 established the Michigan Vietnam Veterans Memorial Monument Commission to administer a newly created fund that would be used to construct a monument memorializing the 2,649 Michigan citizens who died or are listed as missing in action because of the war. A site for the monument was designated by Public Act 122 of 1992. According to a commission spokesperson, the organization has over the past few years conducted a national design competition and developed a statewide network of volunteers to raise money for the monument. The act creating the commission authorized the organization to accept donations. On Veterans Day 1996, the commission began its Penny A Life campaign, which is said to have produced so far 2,500 donations of \$26.49. In total, some \$200,000 has been raised and \$1 million in in-kind services has been donated. The overall estimated cost for the project is \$2.5 million, and construction costs are estimated at \$1.3 million. Construction is scheduled to begin on Memorial Day in 1997 if sufficient funds are raised.

Currently, taxpayers may use income tax check-offs to designate \$2 or more of their income tax refunds to the Children's Trust Fund (which is used to help prevent child abuse and neglect) and the Nongame Fish and Wildlife Fund (which provides funding for nongame and endangered animals and plants and their habitats). It has been suggested that another check-off be created to allow persons to designate a portion of their income tax refunds (or to make a donation) to the Michigan Vietnam Veterans Memorial Monument Act. (Companion legislation, House Bill 4041, would provide a credit against the single business tax for contributions to the fund. That bill passed the House last month.)

THE CONTENT OF THE BILL:

House Bill 4357 would add a new section to the Income Tax Act to allow taxpayers to designate \$2 or more of

their income tax refund to be credited to the Vietnam Veterans Memorial Monument Fund. If the taxpayer's refund was not sufficient to cover the donation, the taxpayer would be allowed to designate a contribution amount and that amount would be added to his or her tax liability for the tax year.

Specifically, the bill would provide that for the 1997 tax year and thereafter, a taxpayer could designate \$2 or more (from his or her refund or in addition to his or her tax liability) to be credited (or donated) to the Vietnam Veterans Memorial Monument Fund. The tax designation would have to be clearly and unambiguously printed on the first page of the state individual income tax form, until the tax year immediately following the tax year in which the monument fund commission is dissolved (after the monument is completed).

The bill specifies that money contributed through the tax checkoff program would be held in an escrow account separate from the Vietnam Veterans Memorial Monument Fund until actual costs for construction have accrued. At that time, the money in the escrow account would be released to the monument fund. Subject to the above-described provision, the bill specifies that an amount equal to the taxpayer designations (less the amount appropriated to the Department of Treasury to implement the programs) would have to be appropriated from the general fund and deposited in the Vietnam Veterans Memorial Monument Fund solely for the purposes of the fund.

Further, the bill says that any contributions made under the checkoff program after the monument fund reaches a total of \$1.2 million would instead be directed into the Michigan Veterans Trust Fund. The Department of Treasury would have to explain this provision in the income tax instruction booklet.

MCL 206.438

FISCAL IMPLICATIONS:

House Bill 4357 (3-20-97)

The House Fiscal Agency reports that the bill has no fiscal impact on the state. (3-3-97)

ARGUMENTS:

For:

The Michigan Vietnam Veterans Memorial Monument will recognize and honor all Michigan citizens who served in the Vietnam War, and particularly those 2,649 who died or are listed as missing in action. The bill would provide a much-needed boost to the fundraising efforts of the commission charged with constructing the memorial monument. It would help to overcome the perception that there is a lack of support of the project by the state's leadership. The state initiated the commission, authorized the fundraising, and designated a site, and yet there is no special tax treatment under state statutes for individual or business donations to the project. The bill, together with House Bill 4041, would give Michigan citizens and businesses an easily accessible, cost-effective means of contributing to the memorial fund.

Against:

While the Vietnam memorial is a worthy cause, an income tax check-off should not be used as its fundraising mechanism. The income tax form already contains two check-off opportunities, for child abuse prevention and for nongame wildlife, and the creation of yet another could affect the present check-offs adversely by placing three programs in competition with one another for finite taxpayer generosity. There are any number of important, worthy programs and causes that could use extra funding, and there have been many suggestions through the years to use a check-off for those purposes. It is not clear why the Vietnam monument should be singled out for special consideration. If this project is given this special treatment, how will the legislature respond to requests for similar treatment from supporters of other projects, programs, and services? Further, the income tax form is not necessarily the proper place to request charitable donations.

POSITIONS:

A representative of the Michigan Vietnam Veterans Memorial Monument Fund testified in support of the bill. (3-19-97)

A representative of the American Legion testified in support of the bill. (3-19-97)

The Department of Treasury opposes the bill. (3-19-97)

Analyst: D. Martens
