

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bill 796 (Substitute S-2 as reported)  
Sponsor: Senator Bill Schuette  
Committee: Finance

## **CONTENT**

The bill would amend the Income Tax Act to place additional qualification requirements on community foundations.

Under the Act, a taxpayer may claim an income tax credit for contributions to a community foundation. An entity must meet certain requirements in order for the Department of Treasury to certify it as a community foundation. In addition to other requirements, a community foundation must be publicly supported, as defined by U.S. Department of Treasury regulations. The bill provides that, to maintain its certification, a community foundation would have to submit documentation to the Michigan Department of Treasury, each year, that demonstrated compliance with the Federal regulations. Currently, a community foundation must be incorporated or established as a trust before September 1 each year. The bill provides that a community foundation would have to be incorporated or established as a trust at least six months before the beginning of the tax year for which a credit was claimed; and have an endowment value of at least \$100,000 within six months after being incorporated or established.

A community foundation also would have to: have an independent governing body that was not appointed by a single outside entity; provide evidence to the Department that the community foundation had at least one part-time or full-time paid employee, within six months after the community foundation was incorporated or established, and maintained continually during the tax year for which the credit was claimed; be subject to an annual independent financial audit, and provide copies of the audit to the Department within three months after its completion; and, for a community foundation that was incorporated or established after the bill's effective date, operate in a county that was not served by a community foundation when the community foundation was incorporated or established, or operate as a geographic component of an existing certified community foundation.

MCL 206.261

Legislative Analyst: N. Nagata

## **FISCAL IMPACT**

Based on preliminary information, the changes proposed in this bill would not disqualify any of the community foundations currently certified for the community foundation credit. Therefore, this bill would have no fiscal implications for State or local governments.

Date Completed: 10-20-99

Fiscal Analyst: J. Wortley