



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 150 (as enacted)
Sponsor: Senator Jason E. Allen
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 207 of 2008

Date Completed: 12-12-08

RATIONALE

Under the Income Tax Act, a taxpayer may claim a credit against his or her liability equal to 50% of the amount of money he or she donates to a food bank or homeless shelter. Previously, however, a taxpayer could not claim a credit for the cash value of actual food that he or she donated. Reportedly, this limitation may have prevented some people from donating food. In order to encourage donations of food to certain charitable organizations including homeless shelters, food banks, and food pantries that are experiencing increasing demand during difficult economic times, some people believe that a taxpayer should be able to claim a credit that includes his or her food donations.

CONTENT

The bill amended the Income Tax Act to include the value of donated food items in a credit allowed for cash donations to a food bank or homeless shelter if a vendor makes a matching contribution of similar items, for the 2008 tax year and each subsequent tax year.

Under the Act, subject to applicable limitations, a taxpayer may credit against the income tax 50% of the cash amount the taxpayer contributes during a tax year to a shelter for homeless people, food kitchen, food bank, or other entity located in this State, whose primary purpose is to provide overnight accommodation, food, or meals to people who are indigent, if a contribution to that entity is tax deductible for the donor under the Internal Revenue Code.

Under the bill, a taxpayer may claim a credit equal to 50% of the sum of the cash amount and of the value of food items contributed, if the food items are contributed in conjunction with a program in which makes a matching contribution of similar items, beginning with the 2008 tax year.

When calculating the amount of the credit, a taxpayer may include as a cash contribution an amount equal to the value of food items contributed as described above in the tax year to a shelter for homeless people, food kitchen, food bank, or other entity located in this State, subject to the applicable limitations described in the Act.

The amount of this credit is limited to \$100, or \$200 for a husband and wife filing jointly, for total cash contributions. For a resident estate or trust, the credit may not exceed 10% of the taxpayer's tax liability for the tax year before any credits are claimed, or \$5,000, whichever is less. Under the bill, beginning with the 2008 tax year, these limits apply to total cash contributions made and the value of food items contributed.

The bill took effect on July 11, 2008.

MCL 206.261

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill may increase the amount of donations to food banks and similar charities by allowing a taxpayer to claim a credit for half of the value of food that he or she donates, if that donation is matched by a donation from a grocery store. Charitable organizations such as food banks and homeless shelters that provide for the less fortunate rely on contributions from individuals and businesses. According to the Food Bank Council of Michigan, approximately 2.4 million people received over 67 million pounds of food from charitable and religious organizations in 2007 and demand for donated food is expected to increase in the future. Because taxpayers previously were not allowed to claim credits for donated food under the Act and because some grocery stores match food contributions made by shoppers but do not offer the same match for monetary donations, some individuals may not have donated food or as much food as they would have if they had been able to claim a credit. By encouraging food donations through tax credits, the bill will increase the amount of food donated by grocers and individuals through these matching programs.

Legislative Analyst: Craig Laurie

FISCAL IMPACT

While the original income tax credit for homeless shelters and food banks is intended to be claimed only for cash contributions by taxpayers, it is very likely that some taxpayers already have been claiming the credit for the value of food donated to food banks. Therefore, it is anticipated that the potential fiscal impact of this bill is less than it otherwise would be. It is estimated that the bill will reduce income tax revenue to the General Fund in the range of \$2 million to \$3 million annually. Local governments will not be directly affected by this bill.

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.