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BILL ANALYSIS

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House Bill 4557 (Substitute H-2 as passed by the House)
Sponsor: Representative Richard LeBlanc
House Committee: Military and Veterans Affairs and Homeland Security
Senate Committee: Senior Citizens and Veterans Affairs

Date Completed: 5-6-08

CONTENT

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

- Delete a January 1, 2008, sunset on a provision allowing a taxpayer check-off for contributions designated to the Military Family Relief Fund.**
- Require the contribution designation for the Fund to be included in the separate schedule for tax check-off contributions, rather than printed on the first page of a tax return, as of January 1, 2010.**
- Allow a tax check-off contribution of \$5, \$10, or more, rather than \$1 or more, for the Fund for the 2010 tax year and each year after that.**

Section 438 of the Act allows a taxpayer, for tax years beginning after December 31, 2003, and before January 1, 2008, to designate on his or her annual return a contribution of \$1 or more of his or her refund to be credited to the Military Family Relief Fund. If the taxpayer's refund is not sufficient to make a contribution, the taxpayer may designate a contribution amount, which must be added to his or her tax liability for the year. The bill would delete the January 1, 2008, ending date.

Under Section 438, an amount equal to the cumulative designations, minus the amount appropriated to the Department of Treasury to implement the section, must be distributed each fiscal year to the Department of Military and Veterans Affairs. Of that distribution, 80% must go to the Military Family Relief Fund and 20% to the Post Fund and Posthumous Fund of the Michigan Soldiers' Home (the Michigan Veterans' Facilities). The bill would require this distribution each year that the contribution designation was in effect, and would require that the distributed amount be appropriated from the General Fund.

Section 438 requires the designation for a contribution to the Military Family Relief Fund to be clearly and unambiguously printed on the first page of all State individual income tax return forms, if practicable. The bill specifies that, effective January 1, 2010, the designation of a contribution for the Military Family Relief Fund would no longer be required to be printed on the first page of the return, but would have to be incorporated into the contributions schedule created by the Department of Treasury pursuant to Section 435 and remain on that schedule until the contribution designation expired or otherwise was no longer available. The bill also specifies that, for tax years beginning on and after January 1, 2010, the contribution designation would have to be offered and administered according to Section 435.

Under Section 435 of the Act, an individual may designate on his or her annual return, in a manner and form as prescribed by the Department of Treasury, that contributions of \$5, \$10, or more of the taxpayer's refund be credited to certain funds or organizations. If an individual's refund is not sufficient to make a contribution, he or she may designate a contribution amount, which must be added to his or her tax liability for the tax year. The bill would include in this provision a contribution designation for the 2010 tax year and each tax year after that for the Military Family Relief Fund.

Section 435 requires the Department to establish and use a separate contributions schedule that incorporates each contribution designation authorized under that section that remains in effect and available for each tax year. The Department must revise the State individual income tax return form to include a separate line for the total contribution designations made under the separate contributions schedule. Certain contribution designations must remain on the first page of the tax return for the 2008 and 2009 tax years, but must be incorporated into the contributions schedule for the 2010 tax year and remain on the schedule until the contribution designation either expires by law or is otherwise no longer available as determined by the Department (which may cease to include a contribution designation on the schedule if that designation fails to raise \$100,000 in any tax year for two consecutive years). The bill would include a contribution designated for the Military Family Relief Fund in this provision.

MCL 206.435 & 206.438

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State government, but would allow for continuing contributions on income tax forms to the Military Family Relief Fund. The Fund provides grants to military families in need of financial assistance. Total annual contributions have ranged from approximately \$550,000 to \$1.2 million. Since its beginning in tax year 2004, the Fund has received donations totaling \$2,577,000.

Fiscal Analyst: Stephanie Yu

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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.