

# Legislative Analysis



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## INCOME TAX CHECK-OFFS

### House Bill 4243

Sponsor: Rep. Paul Opsommer

### House Bill 4244

Sponsor: Rep. Bruce R. Rendon

### House Bill 4497

Sponsor: Rep. Mark Ouimet

### House Bill 4498

Sponsor: Rep. Chuck Moss

### House Bills 4518 & 4519

Sponsor: Rep. Matt Lori

### House Bill 4631

Sponsor: Rep. Barb Byrum

### House Bill 4632

Sponsor: Rep. Kevin Cotter

### House Committee: Tax Policy

Complete to 5-18-12

### House Bill 5001

Sponsor: Rep. David Nathan

### House Bill 5323

Sponsor: Rep. Jeff Farrington

### House Bill 5324

Sponsor: Rep. Mike Callton, D.C.

### Senate Bill 324

Sponsor: Sen. John Pappageorge

### Senate Bill 325

Sponsor: Sen. Rebekah Warren

### Senate Bills 381 & 382

Sponsor: Sen. Rick Jones

## A SUMMARY OF THE BILLS AS REPORTED FROM HOUSE COMMITTEE

The bills would place additional check-off boxes on the state income tax return to allow taxpayers to make voluntary donations to six organizations. These are:

- Boys Scouts of Michigan Fund (HB 4233 & 4244)
- American Red Cross Fund (HB 4497 & 4498)
- Michigan Alzheimer's Association Fund (HB 4518/4519; SB 324/325)
- Special Olympics Michigan Fund (HB 4631/4632; SB 381/382)
- ALS of Michigan ("Lou Gehrig's Disease") Fund (HB 5323 & 5324)
- Detroit College Promise Fund (HB 5001)

These would be added to the list of funds to which a taxpayer could contribute \$5, \$10, or more on an annual tax return. The amount of the contribution is deducted from a refund or added to the amount of tax owed (meaning it has no state revenue impact). Under Section 435, the Department of Treasury has established a separate schedule on the income tax form for contribution designations.

The new contribution designations typically require two bills each, one to amend the Income Tax Act, and another to create the new fund to receive donations from taxpayers.

[Note: The bills are not tie-barred to one another; indeed, several amend the same section of the Income Tax Act and would conflict with one another if not amended.]

A related bill, House Bill 5232, which has passed the House and has been reported from committee in the Senate, would make changes to the check-off program. Among other things that bill would (1) limit the contribution schedule to 10 separate contribution designations; and (2) require the Department of Treasury to remove a designation if it fails to raise at least \$50,000 in any single year for two consecutive years. (Currently, Treasury removes a designation if it fails to raise \$100,000 in any single tax year for two consecutive years.) That bill also establishes criteria for the Legislature to use in deciding whether to grant additional contribution designations (when places are available).

### **BACKGROUND INFORMATION:**

The following contributions were 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.

The following were once on the state income tax form but have been dropped: 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.

### **FISCAL IMPACT:**

Based on data from Michigan and other states, between \$500,000 and \$1.5 million could be generated from all check-offs. However, the popularity of a particular check-off and the addition of choices for check-off contributions also affect the revenue generated by each check-off. Recent data indicates that between \$19,000 and \$265,000 has been generated per individual check-off. These are voluntary contributions and have no state revenue impact.

The bills would have an indeterminate, but likely negligible, fiscal impact on the Department of Treasury. The provisions of the bill may create certain administrative costs in administering the fund and amending tax forms to accommodate the check-off, but these are expected to be minimal and will be absorbed through current appropriation levels.

The following is a list of designated voluntary contribution totals from the 2009 tax year, as provided by the Department of Treasury:

Fund	# of contributions	\$\$ of contributions	Av. contribution
Animal Welfare	7,982	103,162	12.92
Children of Vets Tuition Grant	14,965	124,312	8.31
Children's Hospital of Michigan	5,833	63,940	10.96
Children's Miracle network	3,533	36,963	10.46
Children's Trust Fund -- Child Abuse	17,021	183,319	10.77
Foster Care	2,491	25,444	10.21
Council for the Arts	2,692	29,240	10.88
Military Family Relief	22,162	264,733	11.95
Renewable Fuels	2,225	18,828	8.46
United Way	5,934	256,740	43.27
Amanda's Fund/Breast Cancer*	3,803	39,916	10.50
Prostate Cancer Research*	2,959	30,752	10.39
Law Enforcement Officers Memorial Monument*	2,500	27,477	10.99
Michigan Housing & community Development*	1,637	18,718	11.43
<b>Total</b>	<b>95,737</b>	<b>1,223,584</b>	<b>12.78</b>

\* Funds subsequently removed from the 2010 tax year list for failure to reach \$100,000 in contributions in consecutive years.

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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.