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BILL



ANALYSIS

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House Bill 4497 (as passed by the House)
House Bill 4498 (Substitute S-1)
Sponsor: Representative Mark Ouimet (H.B. 4497)
Representative Chuck Moss (H.B. 4498)
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 11-27-12

CONTENT

House Bill 4497 would enact the "American Red Cross Michigan Fund Act" to do the following:

- Create the "American Red Cross Michigan Fund" to provide funds for the Michigan Chapters of the American Red Cross.
- Require the State Treasurer to credit to the Fund all amounts appropriated for this purpose from an income tax check-off and money from any other source for deposit into the Fund.
- Provide that money in the Fund that was available for distribution would have to be appropriated each year, and money granted or received as a gift or donation to the Fund would be available for distribution upon appropriation.

House Bill 4498 (S-1) would amend the Income Tax Act to add a tax check-off for the American Red Cross Michigan Fund, beginning with the 2012 tax year.

The bills are tie-barred.

House Bill 4497

The bill would create the American Red Cross Fund in the Department of Treasury to provide funds for donation to the Michigan Chapters of the American Red Cross. The Fund would consist of money credited to it under Section 435 of the Income Tax Act (the section House Bill 4498 would amend), any interest and earnings accruing from the saving and investment of that money, and money from any other source.

The money, interest, and earnings of the Fund would have to be spent solely for donation to the Mid-Michigan Chapter of the American Red Cross for distribution to the Michigan Chapters of the American Red Cross.

Money in the Fund that was available for distribution would have to be appropriated each year. Money granted or received as a gift or donation to the Fund would be available for distribution upon appropriation.

The Department would be the administrator of the Fund for auditing purposes, and the State Treasurer would have to direct the investment of the Fund. Money in the Fund at the close of the year would remain in it and not lapse to the General Fund.

House Bill 4498 (S-1)

Section 435 of the Income Tax Act allows an individual to designate on his or her annual tax return that contributions of \$5, \$10, or more of his or her State income tax refund (or additional tax liability) be credited to any of the funds specified in the Act. The Department of Treasury must create a schedule of the check-offs to be included with an annual income tax return. New check-offs must be incorporated as soon as practical on the schedule, which may not include more than 10 separate check-offs in any single tax year. The Department must cease to include a check-off if it fails to raise \$50,000 in any tax year for two consecutive tax years.

Check-offs on the schedule include the Animal Welfare Fund, the Children of Veterans Tuition Grant Program, the Children's Trust Fund, the Girl Scouts of Michigan Fund, the Military Family Relief Fund, and the United Way Fund. For the 2012 tax year, the schedule also will include the Special Olympics Michigan Fund.

The bill would add the American Red Cross Michigan Fund to the schedule, for the 2012 tax year and each subsequent tax year.

The bill also would add the check-off for the Military Family Relief Fund to those listed in Section 435. (This check-off is currently required by Section 438.)

MCL 406.435 (H.B. 4498)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The revenue from the proposed income tax check-off for the proposed American Red Cross Michigan Fund would depend on the size and number of taxpayer donations. The income tax check-off revenue history in recent years is summarized in the Table 1 below.

Table 1
Estimated Income Tax Check-Off Donations by Fund

| | Tax Year 2009 | | Tax Year 2010 | | Tax Year 2011 ^{a)} | |
|--|---------------------|---------------|---------------------|---------------|-----------------------------|---------------|
| | Number of Donations | Total Donated | Number of Donations | Total Donated | Number of Donations | Total Donated |
| Amanda's Fund for Breast Cancer | 3,754 | \$37,818 | | | | |
| Animal Welfare Fund ¹⁾ | 7,854 | 100,862 | 10,852 | \$148,164 | 13,119 | \$160,328 |
| Children's Hospital of MI Fund | 5,661 | 61,186 | 7,418 | 90,853 | | |
| Children's Miracle Network Fund | 3,432 | 35,357 | 4,707 | 56,901 | | |
| Children's Trust Fund ¹⁾ | 17,244 | 185,407 | 7,387 | 92,631 | 10,616 | 116,309 |
| Children of Veterans Tuition Grant Program ¹⁾ | 15,225 | 126,531 | 5,928 | 76,417 | 7,584 | 94,145 |
| Foster Care Trust Fund | 2,407 | 24,123 | 3,467 | 40,057 | | |
| Girl Scouts of Michigan Fund ¹⁾ | | | | | 4,534 | 59,410 |
| Michigan Military Relief Fund ¹⁾ | 22,432 | 273,428 | 7,443 | 128,603 | 11,665 | 172,056 |
| Michigan Council for the Arts Fund | 2,598 | 27,978 | 3,356 | 34,677 | | |
| Michigan Housing and Community Development Fund | 1,618 | 17,415 | | | | |
| Michigan Law Enforcement Memorial Fund | 2,492 | 27,457 | | | | |
| Prostate Cancer Research | 2,920 | 29,319 | | | | |
| Renewable Fuels Fund | 2,157 | 18,247 | 2,589 | 23,648 | | |
| United Way Fund ¹⁾ | 5,736 | 241,797 | 7,747 | 389,080 | 7,177 | 232,944 |
| Total | | \$1,206,925 | | \$1,081,031 | | \$835,192 |

^{a)} Collections through November 20, 2012.

¹⁾ Check-offs on the 2011 contribution schedule.

Source: Department of Treasury

The proposed Fund would be administered by the Department of Treasury, which would incur additional costs of a minimal amount. The money in the Fund would carry forward. The proposed Fund would be used for donations to the Mid-Michigan Chapter of the American Red Cross for distribution to the Michigan Chapters of the American Red Cross.

Fiscal Analyst: Elizabeth Pratt