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BILL ANALYSIS

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Senate Bill 128 (as introduced 3-2-23)
Sponsor: Senator John Damoose
Committee: Finance, Insurance, and Consumer Protection

Date Completed: 3-8-23

CONTENT

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

-- **Allow a taxpayer, beginning on and after January 1, 2023, to claim a credit against the individual income tax in an amount equal to 50% of the sum of the taxpayer's contributions to a homeless shelter, food kitchen, or food bank.**
-- **Limit the maximum amount of the credit to no more than $100, $200 for a joint return, or, in the case of a resident estate or trust, 10% of the taxpayer's total tax liability or $5,000, whichever was less.**
-- **Allow an entity to request that the Department of Treasury determine whether a contribution to that entity would qualify for the credit.**

Tax Credit for Contribution to Homeless Shelter or Food Bank

For tax years beginning on and after January 1, 2023, and subject to the applicable limitations specified below, the bill would allow a taxpayer to claim a credit against the individual income tax in an amount equal to 50% of the sum of the cash amount and, if food items were contributed in conjunction with a vendor's matching contribution program, the value of those food items, the taxpayer contributed during the tax year to a shelter for homeless individuals, food kitchen, food bank, or other entity located in Michigan, the primary purpose of which was to provide overnight accommodation, food, or meals to indigent individuals. The taxpayer would receive a credit only if a contribution to that entity were tax deductible for the donor under the Internal Revenue Code.

Maximum Amount of Credit

Under the bill, for a taxpayer other than a resident estate or trust, the maximum credit allowed for charitable contributions described above could not exceed $100, or $200 for a joint return. For a resident estate or trust, the maximum credit allowed could not exceed 10% of the taxpayer's tax liability for the tax year before claiming any credits allowed under the individual income tax or $5,000, whichever was less. For a resident estate trust, the amount used to calculate the credits could not have been deducted in arriving at Federal taxable income. If the amount of the credits allowed exceeded the taxpayer's tax liability for the tax year, the portion that exceeded the tax liability could not be refunded.

Administration

Under the bill, an entity could request that the Department determine if a contribution to that entity qualified for the proposed tax credit. The Department would have to make a determination and respond to a request within 30 days after receiving it.

Proposed MCL 206.260

PREVIOUS LEGISLATION

(Please note: The information in this summary provides a cursory overview of previous legislation and its progress. It does not provide a comprehensive account of all previous legislative efforts on the relevant subject matter.)

The bill is, in part, similar to Senate Bill 113 of the 2021-2022 Legislative Session. The bill received a hearing in the Senate Committee on Finance but saw no further action.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would reduce General Fund revenue by approximately $18.7 million per year. Between tax years 2006 and 2011, Michigan allowed an identical credit and the number of returns claiming the credit remained relatively stable, at approximately 234,500 each year. Similarly, the total amount claimed each year under each credit remained stable, at approximately $18.7 million per year. Although the School Aid Fund receives revenue from the income tax under Part 1 of the Act, credits are applied against the portion received by the General Fund. As a result, all of the reduction in revenue under the bill would lower General Fund revenue.

Fiscal Analyst: David Zin