



Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 132 (as introduced 3-6-25)

Sponsor: Senator Sam Singh

Committee: Finance, Insurance, and Consumer Protection

Date Completed: 6-3-25

CONTENT

The bill would amend the Income Tax Act to allow a taxpayer to claim a non-refundable tax credit equal to 50% of that taxpayer's contributions to an endowment fund of a community foundation.

Among other things, the Act provides for tax credits that a taxpayer can claim against the taxpayer's income tax liability for the year. Specifically, for tax years beginning on and after January 1, 2025, and subject to the limitations below, the bill would allow a taxpayer to claim a credit in an amount equal to 50% of the amount the taxpayer contributed during the tax year to an endowment fund of a community foundation. For a taxpayer other than a resident estate or trust, the credit could be up to \$100, or \$200 for a joint return. For a resident estate or trust, the credit could be up to 10% of the taxpayer's tax liability for the tax year before claiming any credits allowed by the Act or \$5,000, whichever was less. To claim the credit, the taxpayer would have to have received a gift acknowledgment from the community foundation indicating that the contribution was made to a foundation's endowment fund.

The bill would define "community foundation" as an organization that applies for certification on or before May 15 of the tax year for which the taxpayer is claiming the credit and that the Treasury Department certifies for that tax year as meeting the requirements of a community foundation as prescribed by the Michigan Community Foundation Act; however, for purposes of the tax credit, the organization only would need to have assets of at least \$1.0 million to qualify for certification by the Department, instead of the \$5.0 million in assets otherwise needed to be considered a community foundation for purposes of the Michigan Community Foundation Act.¹

For a resident estate or trust, the amount used to calculate the credit could not have been deducted in arriving at Federal taxable income. If the amount of the credit exceeded the tax liability of the taxpayer for the tax year, the portion that exceeded the tax liability would not be refunded.

The bill would require the Department of Treasury, on or before July 1 of each year, to submit a report to the House Tax Policy Committee and the Senate Finance, Insurance, and Consumer Protection Committee that included the total amount of tax credits claimed under the bill for the immediately preceding tax year.

Proposed MCL 206.261

¹ Generally, the Michigan Community Foundation Act considers a community foundation to be a tax-exempt organization that has been in existence for at least 10 years, supports a broad range of charitable activities within a geographic area of the State, and maintains an ongoing program to attract new endowment funds by seeking gifts and bequests from a wide range of potential donors.

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

The bill is a reintroduction of Senate Bill 127 from the 2023-2024 Legislative Session. Senate Bill 127 passed the Senate and the House but received no further action.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would reduce General Fund revenue by approximately \$3.3 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 38,900 each year. Similarly, the total amount claimed each year under the credit remained stable, at approximately \$3.3 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 the reduction in revenue under the bill would lower General Fund revenue.

Fiscal Analyst: David Zin

SAS\S2526\s132sa

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.