



MEMBER FOOD BANKS:

Food Gatherers
Food Bank
Ann Arbor

Food Bank of
South Central Michigan
Battle Creek

Gleaners Community
Food Bank of
Southeastern Michigan
Detroit

Food Bank of
Eastern Michigan
Flint

Feeding America
West Michigan
Food Bank
Comstock Park

Western UP Food Bank
Houghton

Kalamazoo Loaves &
Fishes
Kalamazoo

American Red Cross
Mid-Michigan
Food Bank
Lansing

Manna Project
Petoskey

Forgotten Harvest
Oak Park

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Food Bank Council of Michigan Position on the Michigan Earned Income Tax Credit March 2011

Background

The Michigan Earned Income Tax Credit (EITC) took effect in the 2008 tax year, and was enacted with bipartisan support as an anti-poverty tool that rewards work and keeps low-income working families afloat.

Michigan's three-year-old tax credit for the working poor would be eliminated under Senate Bill 103, introduced in the Senate. Sponsors announced that they introduced the bill as a cost-savings measure for the state that could be worth more than \$330 million this year. In addition, Governor Rick Snyder has proposed the elimination of the EITC as part of his FY 2012 Budget Proposal.

Currently, more than 700,000 Michigan families depend on the EITC to help pay the rent, pay their bills, and put food on the table. Eligible Michigan families receive a refundable income tax credit of 20 percent of their federal credit, which helps offset other state taxes they pay, such as sales taxes. The average refund is \$432. These families' spending fosters economic activity that helps our state's economy.

Position Statement

The repeal of Michigan's EITC proposed in SB 103 seems illogical amidst high unemployment and a struggling economy. The emergency food bank network is experiencing all time high demand for food and elimination of this tax credit will likely push hundreds of thousands of low-income working families into emergency situations and struggles to meet their basic human needs. 34% of current households served by the food bank network are the working poor¹. We agree with our human service and non-profit partners and strong public sentiment that the EITC is a simple, effective program which helps prevent hardworking families from falling into poverty. We likewise agree that SB 103 is an overt attempt to balance the budget on the backs of the working poor and their children.

The Food Bank Council of Michigan is concerned that elimination of the EITC will hurt working families, forcing them to turn to the food bank network for emergency assistance. Our food provider network is currently striving to meet increased demand. The Food Bank Council of Michigan cannot support a measure that forces families into poverty and hunger. Therefore, FBCM opposes the elimination of the Earned Income Tax Credit.

¹ Hunger in America Research study 2009, Mathematica, Feeding America



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Preserving State Tax Incentives to Strengthen the Provision of Critically-Needed Emergency Services in Michigan March 2011

The ability of private donors to deduct contributions to a charity from their taxes is a cornerstone of the success of America's and Michigan's charitable traditions¹. Yet the deep and persistent recession and slow economic recovery pose challenges for households considering charitable donations to nonprofits. At the same time, more people than ever are turning to nonprofit organizations for help meeting basic human needs. In 2010, Michigan emergency food providers reported increases of up to 100% in demand for emergency food, a trend expected to continue in the foreseeable future.

The Michigan Nonprofit Association estimates that eliminating the tax credit for charitable donations could jeopardize more than \$54 million in donations to nonprofit organizations. Of particular concern is the proposed elimination of Michigan's Food Bank/Homeless shelter tax credit. The Michigan Department of Treasury reports that \$21 million in tax credits were given to individual and small business tax filers in 2009. Since only 50% of contributions are credited, this tax credit incentivized at least \$42 million in charitable giving – the equivalent of 420 million emergency meals².

Removing charitable tax incentives would further reduce existing charitable contributions and disincentivize new donations to non-profit emergency relief. This action, combined with the elimination of the \$353.8 million Michigan EITC³, represents a crippling blow to both the working families we serve *and* our ability to serve them.

As demands on our local, largely volunteer-operated emergency food providers continue to increase, we must retain donor incentives which enable charities to meet demand for critical community-based services. The emergency food network is the last line of resort for hungry families, and remains committed to meeting this basic human need. Food and shelter are essential to anyone seeking an education, a job or a healthy life.

Position Statement

The Food Bank Council of Michigan is a partner with the public and private sectors in providing food to people facing hunger. The Council believes the capacity of local emergency food providers is greatly enhanced by the Food Bank / Homeless Shelter tax credit, which has been in place for almost 20 years. Food Bank Council of Michigan cannot support measures which discourage charitable giving and hinder service delivery to vulnerable people. We strongly oppose the elimination of the tax credit for food banks and homeless shelters.

¹ *Nonprofit Finances, Demand for Services, and Volunteer Engagement*. Michigan Nonprofit Association. <http://www.mnaonline.org/research.aspx>

² Food Bank Council of Michigan multiplier, based on network efficiencies data.

³ *Income Taxes Changes: By the Numbers*, Gongwer February 18, 2011.

