

# Legislative Analysis



## HOMELESS SHELTER/FOOD BANK INCOME TAX CREDITS

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<http://www.house.mi.gov/hfa>

### House Bill 4992 (H-1) as reported from committee

Sponsor: Rep. Angela Witwer

1st Committee: Tax Policy

2nd Committee: Government Operations

Complete to 12-7-20

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 4992 would amend the Income Tax Act to provide taxpayers a nonrefundable credit against the income tax equal to 50% of the amount contributed to a food bank, food kitchen, or homeless shelter. Except for a resident estate or trust, the amount of the credit could not exceed \$100 (or \$200 for a joint return). For a resident estate or trust, each credit could not exceed 10% of the taxpayer's tax liability for the year (before claiming any credits) or \$5,000, whichever is less. The credits would apply for tax years beginning on and after January 1, 2020.

Specifically, the bill would allow a taxpayer to claim, for tax years beginning on and after January 1, 2020, an income tax credit equal to 50% of the aggregate amount of charitable contributions made by the taxpayer during the tax year to shelters for homeless persons, food kitchens, food banks, or other entities that work to provide overnight accommodations, food, or meals to indigent people if a contribution to that entity was tax deductible for the donor under the Internal Revenue Code.

The maximum credit allowed under the bill, including the value of food items contributed in conjunction with a program in which a vendor makes a matching contribution of similar items in the tax year to an entity described above, would be as follows:

- For a taxpayer other than a resident estate or trust, the credit could not exceed \$100, or \$200 for a joint return.
- For a resident estate or trust, the credit could not exceed 10% of the taxpayer's tax liability for the tax year before claiming any credits allowed by Part 1 of the act or \$5,000, whichever is less, and the amount used to calculate the credits could not have been deducted in arriving at federal taxable income.

Finally, if the amount of the credits allowed under the bill exceeded the tax liability of the taxpayer for the tax year, the portion that exceeded the tax liability could not be refunded.

Proposed MCL 206.260

### BACKGROUND:

The homeless shelter/food bank credit was repealed by 2011 PA 38 (HB 4361) as part of a bill package that replaced the Michigan Business Tax with the Corporate Income Tax and made general revisions to the personal income tax part of the Income Tax Act.<sup>1</sup> The repeal was

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<sup>1</sup> HFA analysis of 2011 PA 38: <http://www.legislature.mi.gov/documents/2011-2012/billanalysis/House/pdf/2011-HLA-4361-6.pdf>

effective beginning with the 2012 tax year. HB 4992 would reinstate the credit, but would not reinstate a credit for amounts contributed to a community foundation that was in the same section of law before the credits were repealed. (HB 4993, which was passed by the House in September, would reinstate that credit.)

As reported from committee, HB 4992 is identical to HB 6162, which was passed by the House in September.

**FISCAL IMPACT:**

As written, the bill would be expected to reduce net income tax revenue by potentially \$20 million or more on a full-year basis, assuming contribution levels similar to those in tax year 2011, the last year in which the credits were allowed under the income tax. In tax year 2011, the homeless shelter/food bank credit reduced revenue by about \$19.7 million. Because the credit does not affect gross income tax revenue, there is no impact on the School Aid Fund, and the general fund would therefore absorb the entire revenue loss.

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