



HOUSE BILL No. 5778

April 18, 1996, Introduced by Reps. McBryde, Prusi, Pitoniak, Hanley, Llewellyn, Walberg, Willard, Anthony, Rhead, Johnson, Hammerstrom, Horton, Jellema, Bobier, Wetters, Gustafson, Oxender, Goschka, Gernaat, Dobb, Green, Jaye and McManus and referred to the Committee on Tax Policy.

A bill to amend section 261 of Act No. 281 of the Public Acts of 1967, entitled "Income tax act of 1967," as amended by Act No. 256 of the Public Acts of 1994, being section 206.261 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 261 of Act No. 281 of the Public Acts of
2 1967, as amended by Act No. 256 of the Public Acts of 1994, being
3 section 206.261 of the Michigan Compiled Laws, is amended to read
4 as follows:

5 Sec. 261. (1) For the 1989 through 1997 tax years and
6 subject to the limitations in subsections (2) to (6), a taxpayer
7 may credit against the tax imposed by this act 50% of the amount
8 the taxpayer contributes during the taxable year to an endowment
9 fund of a community foundation or for the 1992 through 1997 tax

1 years and subject to the limitations in subsections (2), (3), and
2 (5), a taxpayer may credit against the tax imposed by this act
3 50% of the cash amount the taxpayer contributes during the tax-
4 able year to a shelter for homeless persons, food kitchen, food
5 bank, or other entity, the primary purpose of which is to provide
6 overnight accommodation, food, or meals to persons who are indi-
7 gent if a contribution to that entity is tax deductible for the
8 donor under the internal revenue code.

9 (2) For a taxpayer other than a resident estate or trust,
10 the credit allowed by this section for a contribution to a commu-
11 nity foundation shall not exceed \$100.00, or \$200.00 for a hus-
12 band and wife filing a joint return, FOR TAX YEARS BEFORE THE
13 1996 TAX YEAR, AND \$150.00, OR \$300.00 FOR A HUSBAND AND WIFE
14 FILING A JOINT RETURN, FOR TAX YEARS AFTER THE 1995 TAX YEAR.
15 For the 1992 tax year and each tax year after 1992, a taxpayer
16 may claim an additional credit under this section not to exceed
17 \$100.00, or \$200.00 for a husband and wife filing a joint return,
18 FOR TAX YEARS BEFORE THE 1996 TAX YEAR, AND \$150.00, OR \$300.00
19 FOR A HUSBAND AND WIFE FILING A JOINT RETURN, FOR TAX YEARS AFTER
20 THE 1995 TAX YEAR, for total cash contributions made in the tax
21 year to shelters for homeless persons, food kitchens, food banks,
22 and, except for community foundations, other entities allowed
23 under subsection (1). For a resident estate or trust, the credit
24 allowed by this section for a contribution to a community founda-
25 tion shall not exceed 10% of the taxpayer's tax liability for the
26 tax year before claiming any credits allowed by this act or
27 \$5,000.00, whichever is less. For the 1992 tax year and each tax

1 year after 1992, a resident estate or trust may claim an
2 additional credit under this section not to exceed 10% of the
3 taxpayer's tax liability for the tax year before claiming any
4 credits allowed by this act or \$5,000.00, whichever is less, for
5 total cash contributions made in the tax year to shelters for
6 homeless persons, food kitchens, food banks, and, except for com-
7 munity foundations, other entities allowed under subsection (1).

8 (3) The credits allowed by this section are nonrefundable so
9 that a taxpayer shall not claim under this section a total credit
10 amount that reduces the taxpayer's tax liability to less than
11 zero.

12 (4) As used in this section, "community foundation" means an
13 organization that applies for certification on or before April 1
14 of the tax year for which the taxpayer is claiming the credit and
15 that the department certifies for that tax year as meeting all of
16 the following requirements:

17 (a) Qualifies for exemption from federal income taxation
18 under section 501(c)(3) of the internal revenue code.

19 (b) Supports a broad range of charitable activities within
20 the specific geographic area of this state that it serves, such
21 as a municipality or county.

22 (c) Maintains an ongoing program to attract new endowment
23 funds by seeking gifts and bequests from a wide range of poten-
24 tial donors in the community or area served.

25 (d) Is publicly supported as defined by the regulations of
26 the United States department of treasury, 26
27 C.F.R. 1.170A-9(e)(10).

1 (e) Is not a supporting organization as defined under
2 section 509(a)(3) of the internal revenue code and the regula-
3 tions of the United States department of treasury, 26
4 C.F.R. 1.509(a)-4 and 1.509(a)-5.

5 (f) Meets the requirements for treatment as a single entity
6 contained in the regulations of the United States department of
7 treasury, 26 C.F.R. 1.170A-9(e)(11).

8 (g) Is incorporated or established as a trust before
9 September 1 of the year immediately preceding the tax year for
10 which the credit is claimed.

11 (5) An entity other than a community foundation may request
12 that the department determine if a contribution to that entity
13 qualifies for the credit under this section. The department
14 shall make a determination and respond to a request no later than
15 30 days after the department receives the request.

16 (6) On or before July 1 of each year, the department shall
17 report to the house committee on taxation and the senate commit-
18 tee on finance the total amount of tax credits claimed under this
19 section and under section 38c of the single business tax act, Act
20 No. 228 of the Public Acts of 1975, BEING SECTION 208.38C OF THE
21 MICHIGAN COMPILED LAWS, for the immediately preceding tax year.