



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



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 382 (as reported without amendment)
Sponsor: Senator Michael D. Bishop
Committee: Finance

CONTENT

The bill would amend the Income Tax Act to allow a taxpayer to credit against his or her annual income tax an amount equal to 50% of the aggregate amount of charitable contributions made during the tax year to an educational facility or organization, including donations to educational foundations and certain educational programs offered by school districts or public school academies.

The Act allows a taxpayer to credit against his or her income tax for the tax year an amount, subject to applicable limitations, equal to 50% of the aggregate amount of charitable contributions made by the taxpayer during the tax year to certain types of nonprofit entities. Under the bill, a taxpayer also could claim the credit for charitable contributions to an educational facility or organization.

A contribution to the endowment fund of a community foundation or other entity providing overnight accommodation, food, or meals to indigents could not be used in calculating the credit.

"Educational facility or organization" would mean either an educational foundation, or a continuing education, community education, or adult education program operated by a school district or a public school academy. "Education foundation" would mean an organization that applied for certification by April 1 of the tax year for which the taxpayer was claiming the credit that annually submitted to the Department of Treasury documentation that demonstrated continued compliance with the Act, and that the Department certified for that tax year as having met certain requirements.

MCL 206.260

Legislative Analyst: J.P. Finet

FISCAL IMPACT

This bill would reduce income tax revenue an estimated \$15 million in the initial year and about \$20 million to \$25 million in subsequent fiscal years. It is estimated that 80% to 90% of this loss in revenue would affect the General Fund/General Purpose budget, and the remaining loss would affect the School Aid Fund. School districts would benefit from increases in contributions that would be generated by this new tax credit, but other local governments would not be directly affected by this bill. Under current law, about 290,000 taxpayers, or about 6.0% of all income tax filers, claim about \$25 million in public contribution tax credits.

Date Completed: 6-28-06

Fiscal Analyst: Jay Wortley

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Analysis available @ <http://www.michiganlegislature.org>

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.