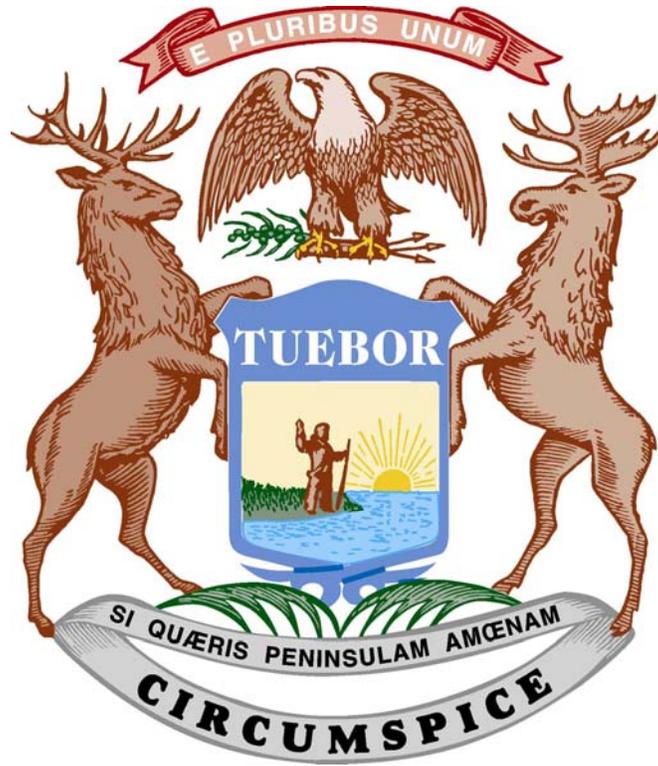


Community/Education Foundation and Homeless Shelter/Food Bank Credits 2011 Report



**Prepared by
Tax Analysis Division
Office of Revenue and Tax Analysis
Michigan Department of Treasury**

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Required by Section 261(8) of the Income Act, and Sections 425(5) and 427(5) of the Michigan Business Tax Act.

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Section 261(8) of the Income Tax (IIT) Act and Sections 425(5) and 427(5) of the Michigan Business Tax (MBT) Act require an annual report to be made by the Department of Treasury to the House Tax Policy and Senate Finance Committees on the amount of community/education foundation and homeless shelter/food bank credits claimed in the preceding tax year.

The SBT Act was repealed and replaced with the Michigan Business Tax (MBT) Act. The MBT provides community/education foundation and homeless shelter/food bank credits effective January 1, 2008. The SBT sections 38c(5) and 38f(5) contained reporting requirements parallel to the MBT requirements. This report provides historical SBT and MBT credit data.

Effective January 1, 2012, Public Act 38 of 2011 repeals Section 261 of the Income Tax Act – which provides for the community foundation credit and the homeless shelter/food bank credit along with the credits’ reporting requirement. Public Act 38 also creates a Michigan corporate income tax act, which does not provide for a community foundation/education foundation credit or a homeless shelter/ food bank credit.

Public Act 39 of 2011 repeals the Michigan Business Tax – which includes the community foundation/education foundation credit and the homeless shelter/food bank credit -- when certain requirements are met. However, for tax years beginning after December 31, 2011, only taxpayers with “certificated credits” may file under the Michigan Business Tax. They may claim a Community/Education Foundation or Homeless Shelter/Food Bank credit only when their liability under the MBT exceeds their Corporate Income Tax liability less certificated credits.

The IIT and SBT credits for contributions to certified community foundations were created by Public Acts 514 and 515 of 1988 to begin in tax year 1989. Public Act 36 of 2007, which enacted the MBT, replaced the SBT credit with the MBT credit. PA 36 expanded the community foundation credit to cover include education foundation contributions. The current IIT and MBT credits are limited to the taxpayer’s tax liability so they are nonrefundable -- as was the SBT credit.

The IIT credit is equal to 50 percent of the amount contributed. The maximum credit is \$100 for a single return and \$200 for a joint return, or, for resident estate or trust, the lesser of 10 percent of the taxpayer’s tax liability for the tax year or \$5,000.

The MBT credit is equal to 50 percent of the amount contributed. The credit is limited to 5 percent of the taxpayer’s tax liability for the tax year or \$5,000, whichever is less.

For tax year 2009, individual and business taxpayers claimed \$3.7 million in income tax and Michigan Business Tax credits for contributions to community/education foundations.

Contributions to community foundations resulted in \$3.4 million in Michigan IIT credits for tax year 2009. This amount is up slightly (2.3 percent) from the 2008 total. The small increase follows a very slight drop in 2007 and a slight decline in 2008. Each year between 1994 and 2006, community foundation IIT credits rose.

For tax year 2009, MBT community/education foundation credits totaled \$337,617 – down 9.0 percent from the tax year 2008 amount.¹ Since 2000, SBT/MBT community/education foundation credits have fallen 47.5 percent.

The IIT and SBT credits for contributions to certified homeless shelters/food banks were created by Public Acts 170 and 171 of 1991 to begin in tax year 1992. Public Act 36 of 2007, which enacted the MBT, replaced the SBT credit with the MBT credit. The current IIT and MBT credits are limited to the taxpayer's tax liability so they are nonrefundable -- as was the SBT credit.

The IIT credit is equal to 50 percent of the amount contributed. The maximum credit is \$100 for a single return and \$200 for a joint return, or, for resident estate or trust, the lesser of 10 percent of the taxpayer's tax liability for the tax year or \$5,000.

The MBT credit is equal to the lesser of 50 percent of the amount contributed, 5 percent of the taxpayer's tax liability for the tax year or \$5,000.

For tax year 2009, individual and business taxpayers claimed \$19.3 million in income tax and Michigan Business Tax credits for contributions to certified homeless shelters/food banks.

Contributions to homeless shelters/food banks resulted in \$18.8 million in Michigan IIT credits for tax year 2009, down from \$19.0 million in 2008. Since the enactment of the homeless shelters/food banks IIT credit, the only two years that annual credit amounts declined were 2007 and 2009.

Contributions to homeless shelters/food banks resulted in \$471,375 in Michigan MBT credits for tax year 2009. Between 2008 and 2009, both the credit amount and the number of credit claimants fell.

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¹ The 2007 SBT/MBT amounts include calendar year 2007 SBT returns and tax year January 2008 to November 2008 MBT returns. Tax year 2008(2009) covers calendar year 2008(2009) MBT returns along with MBT returns for tax years ending January 2009(January 2010) through tax years ending November 2009(November 2010). Not all returns for TY 2009 have been filed. The 2012 Report will update the data for TY 2009.

Table 1
Income Tax Credits
Community Foundations and Homeless Shelters/Food Banks

<u>Tax Year</u>	<u>Community Foundations</u>		<u>Homeless/Food Bank</u>	
	<u>Number of Filers</u>	<u>Tax Credit</u>	<u>Number of Filers</u>	<u>Tax Credit</u>
1989	6,300	\$409,800	0	\$0
1990	7,700	601,300	0	0
1991	8,300	703,100	0	0
1992	9,900	836,800	62,700	\$3,313,800
1993	9,900	811,500	82,300	5,031,400
1994	11,500	995,000	95,400	6,226,300
1995	12,500	1,109,600	112,900	7,235,400
1996	15,600	1,375,300	130,000	8,667,300
1997	18,900	1,772,300	148,100	10,232,200
1998	21,200	2,025,400	157,800	11,245,200
1999	23,700	2,214,100	167,700	12,380,400
2000	27,000	2,542,100	180,400	13,746,900
2001	26,900	2,546,800	192,800	14,815,100
2002	27,700	2,646,400	198,300	15,422,000
2003	38,800	2,935,100	214,000	16,089,200
2004	38,300	2,996,400	224,300	16,990,100
2005	39,900	3,207,700	235,900	18,161,600
2006	38,900	3,336,800	235,000	18,414,800
2007	35,600	3,335,000	225,000	18,062,600
2008	35,200	3,276,000	234,100	19,032,800
2009	36,000	3,351,000	234,100	18,820,200
Total 1989-2009	489,800	\$43,027,500	3,130,800	\$233,887,300

Note:

- . Community Foundation credit was instituted under Public Act (PA) 515 of 1988.
- . Homeless Shelter/Food Bank contribution credit was instituted under PA 171 of 1991.

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Table 2
Single Business Tax/ Michigan Business Tax Credits
Community/Education Foundations ⁽¹⁾
and Homeless Shelters/Food Banks

<u>Tax Year</u>	<u>Community Foundations</u>		<u>Homeless/Food Bank</u>	
	<u>Number of Firms</u>	<u>Tax Credit</u>	<u>Number of Firms</u>	<u>Tax Credit</u>
1989	235	\$278,551	0	\$0
1990	329	362,018	0	0
1991	334	356,405	0	0
1992	357	334,752	236	153,738
1993	413	443,884	331	216,265
1994	496	547,972	375	219,985
1995	552	612,142	442	273,239
1996	584	667,786	488	327,060
1997	589	743,357	594	401,705
1998	605	727,023	585	380,032
1999	578	618,127	647	452,672
2000	578	642,649	633	463,863
2001	531	599,955	623	459,636
2002	532	544,057	635	463,904
2003	504	543,956	577	409,722
2004	525	532,801	576	439,699
2005	468	506,929	599	393,330
2006	414	423,308	572	403,978
2007 ⁽²⁾	428	461,461	625	478,468
2008 ⁽²⁾	342	370,953	700	547,499
2009 ⁽²⁾	324	337,617	572	471,375
Total 1989-2009	9,718	\$10,655,703	9,810	\$6,956,170

(1) Beginning in January 01, 2008, the community foundation credit was expanded to cover education foundation contributions.

(2) See footnote on page 1.

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