



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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REVENUE ADMINISTRATIVE BULLETIN 2017-10

Approved: June 1, 2017

**MICHIGAN BUSINESS TAX
CREDIT FOR CASH CONTRIBUTIONS TO SHELTERS FOR HOMELESS PERSONS,
FOOD KITCHENS AND FOOD BANKS**

(Replaces Revenue Administrative Bulletin 1992-10)

Pursuant to MCL 205.6a, a taxpayer may rely on a Revenue Administrative Bulletin issued by the Department of Treasury after September 30, 2006, and shall not be penalized for that reliance until the bulletin is revoked in writing. However, reliance by the taxpayer is limited to issues addressed in the bulletin for tax periods up to the effective date of an amendment to the law upon which the bulletin is based or for tax periods up to the date of a final order of a court of competent jurisdiction for which all rights of appeal have been exhausted or have expired that overrules or modifies the law upon which this bulletin is based.

RAB 2017-10. This Revenue Administrative Bulletin (RAB) replaces RAB 1992-10 and explains the current status of the credit for contributions to a shelter for homeless persons, food kitchens and food banks. For purposes of this RAB, the credit will be referred to as the “homeless shelter tax credit.”

Summary of Tax Credit. The Michigan Legislature previously authorized the homeless shelter tax credit as a nonrefundable tax credit under the Michigan Income Tax Act and the Single Business Tax (SBT) Act. The credit was retained under the Michigan Business Tax (MBT) Act when the SBT was repealed. As a result of 2011 PA 38, the tax credit can no longer be claimed under the Michigan Income Tax Act after the 2011 tax year and is unavailable under the Corporate Income Tax (Part 3 of the Michigan Income Tax Act). The homeless shelter tax credit may now only be claimed under the MBT, but in order to claim the credit under the MBT, the taxpayer must have timely made the MBT election under MCL 208.1500. The amount of the homeless shelter tax credit is 50% of the cash contributions made to qualifying organizations, but not to exceed 5% of the taxpayer’s tax liability (before credits) or \$5,000, whichever is less.

Qualifying Donee Organizations. The statute allows the donor a credit for 50% of its cash contributions to a shelter for homeless persons, a food kitchen, a food bank, or other entity the primary purpose of which is to provide overnight accommodation, food, or meals to indigent persons, provided that the entity is one for which a cash contribution is tax deductible under the Internal Revenue Code (IRC).¹ If the organization does not provide food, meals, or overnight shelter to indigent persons, but rather provides other services not covered by the credit such as the provision of clothing or emergency utility assistance, a contribution to that organization is ineligible for the credit. Examples of such organizations include Goodwill Industries and St. Vincent de Paul Society.

¹ MCL 208.1427

Only Cash Contributions Allowed. The statute only permits a credit for cash contributions. A contribution paid in U.S. dollars by personal check, money order or credit card will be considered a cash contribution. In-kind contributions such as food, clothing, linens, furniture, personal services or gifts of appreciated property such as stock, real estate or the like will not qualify for the credit. A gift card to a grocery store or a retailer is an in-kind contribution and is ineligible.

Eligibility Requirements. In order for a contribution to be deemed eligible for the credit, the following requirements must be met:

- 1) The contribution must be made in cash (as that term is defined above);
- 2) The contribution must be made to an organization the primary purpose of which is the provision of food or meals or the provision of overnight shelter to indigent persons; and,
- 3) The contribution to the organization is tax deductible for the donor either as a charitable contribution or a business expense deduction under the IRC.

Written Acknowledgement Required. To substantiate a claim for the credit, the taxpayer shall obtain written acknowledgement containing the specifics of the contribution (e.g., amount, date) from the homeless shelter, food kitchen, food bank or other qualifying organization. The taxpayer does not have to provide the written acknowledgment to claim the exemption, but must provide the document upon request.

Exclusions. The following do not qualify for the homeless shelter tax credit even though a deduction may be available to the donor for federal tax purposes and despite shelter or meals being provided to indigent persons:

- 1) Cash contributions to an organization the primary purpose of which is something other than the provision of food, meals or overnight shelter to indigent persons, such as a church, a school, a veterans post or other IRC 170(c) entity will not qualify, even if that organization also offers a food kitchen, food bank or shelter services for indigent persons.
- 2) A taxpayer who establishes a food bank or food kitchen in his or her home for the benefit of foreign exchange students does not qualify, even though IRC 170(g) provides a general tax deduction for amounts paid to maintain foreign exchange students as members of the taxpayer's household.

Written Determinations. An entity may request that the Department determine whether a contribution made to it qualifies under the homeless shelter tax credit. The Department shall make such determination and respond to the request not later than 30 days after receipt.

Requests should be addressed to:

Michigan Department of Treasury
Technical Services Section
P.O. Box 30698
Lansing, MI 48909-8198