



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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DATE: June 15, 2015

TO: Paul Connors, Legislative Liaison

FROM: Howard Heideman *HH*
Director, Tax Analysis Division
Office of Revenue and Tax Analysis

SUBJECT: Community Foundations and Homeless Shelter Credits 2015 Report

Sections 425(5) and 427(5) of the Michigan Business Tax Act require an annual report to be made by the Department 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.

For tax years beginning after December 31, 2011, only taxpayers with "certificated credits" may file under the Michigan Business Tax. Further, taxpayers with certificated credits 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 The MBT is repealed effective on the date that the secretary of state receives a written notice from the department of treasury that the last certificated credit or any carryforward from that certificated credit has been claimed.

Section 261 of the Income Tax Act had provided for community foundation and the homeless shelter/food bank credits along with the credits' reporting requirement. However, Public Act 38 of 2011 repealed Section 261 -- eliminating both the credits and the reporting requirements -- effective January 1, 2012.

Attached is this year's report for you to forward to the Legislature. The report contains a history of SBT/MBT community/education foundation and homeless shelter/food bank credits from 1989 through 2013, the most recent year for which these SBT/MBT credits data are available. For the Income Tax, the report provides a table of these credits through 2012. Because these Income Tax credits were repealed effective January 1, 2012, the table lists zeros for the number and amount of these credits in 2012 and 2013.

The Report will be posted on ORTA's web site. Please let me know if you have any questions.

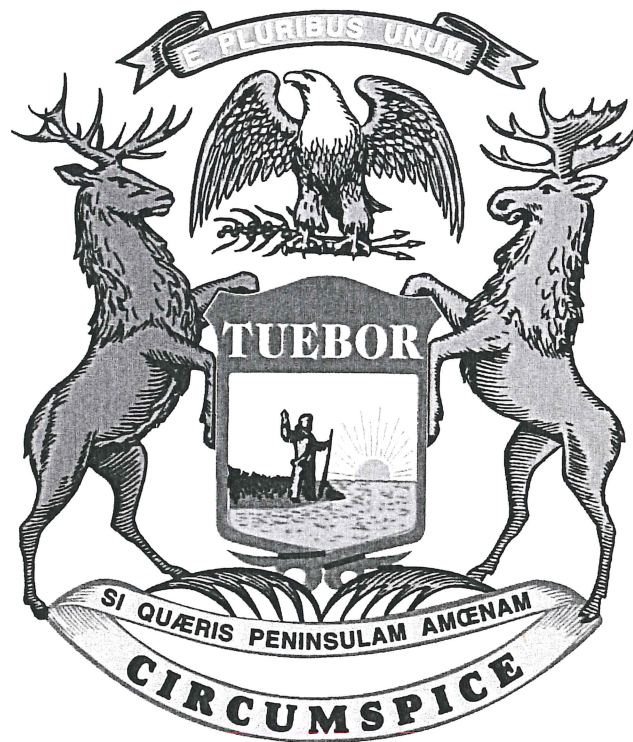
Attachment

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Community/Education Foundation and Homeless Shelter/Food Bank Credits 2015 Report



**Prepared by
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Denise T. Heidt and Thomas Patchak-Schuster prepared this report under the direction of Howard Heideman, Director, Tax Analysis Division, Office of Revenue and Tax Analysis (ORTA). Eric L. Krupka of ORTA provided research and technical assistance.

Required by Sections 425(5) and 427(5) of the Michigan Business Tax Act.

**Community/Education Foundation and
Homeless Shelter/Food Bank Credits Report
June 2015**

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 repealed 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 created 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 include education foundation contributions. The IIT and MBT credits were limited to the taxpayer's tax liability so they are nonrefundable -- as was the SBT credit.

The now repealed IIT credit was equal to 50 percent of the amount contributed. The maximum credit was \$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 2013, MBT community/education foundation credits totaled \$32,325.¹

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 MBT credits are limited to the taxpayer's tax liability so they are nonrefundable -- as was the SBT credit.

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

For tax year 2013, business taxpayers claimed \$43,714 in Michigan Business Tax credits for contributions to certified homeless shelters/food banks.

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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, 2010, 2011, 2012, 2013) covers calendar year 2008 (2009, 2010, 2011, 2012, 2013) MBT returns along with MBT returns for tax years ending January 2009 (January 2010, January 2011, January 2012, January 2013, January 2014) through tax years ending November 2009 (November 2010, November 2011, November 2012, November 2013, November 2014).

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	3,335,200	225,000	18,062,600
2008	35,200	3,275,600	234,100	19,032,800
2009	36,000	3,351,000	234,100	18,820,200
2010	34,900	3,251,000	228,600	18,574,100
2011	36,200	3,453,100	234,500	19,532,200
2012	0	0	0	0
2013	0	0	0	0
Total 1989-2013	560,900	\$49,731,400	3,593,900	\$271,993,600

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.

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	428	461,461	625	478,468
2008 ⁽²⁾	310	308,267	678	515,838
2009 ⁽²⁾	310	315,391	569	477,258
2010 ⁽²⁾	300	361,609	632	574,711
2011 ⁽²⁾	277	353,986	528	509,267
2012 ⁽²⁾	7	27,983	12	46,517
2013 ⁽²⁾	9	32,325	10	43,714
Total 1989-2013	10,265	\$11,346,694	10,967	\$8,104,601

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

(2) See footnote on page 2. 2008, 2009, 2010, 2011 and 2012 entries were revised to account for updates.