

Legislative Analysis



MILITARY FAMILY RELIEF FUND

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House Bill 5953 as enrolled
Public Act 364 of 2004
Sponsor: Rep. Fulton Sheen

Senate Bill 1269 as enrolled
Public Act 363 of 2004
Sponsor: Sen. Valde Garcia
House Committee: Veterans Affairs and Homeland Security
Senate Committee: Senior Citizens and Veterans Affairs

Second Analysis (2-25-05)

BRIEF SUMMARY: The bills would create the Military Family Relief Fund, to be funded through an income tax check-off, to provide financial assistance to needy families of members of the National Guard and reserve forces.

FISCAL IMPACT: Because this is a voluntary contribution, there would be no impact on income tax revenues. However, there could be a small administrative cost.

THE APPARENT PROBLEM:

Michigan has approximately 2,200 members of the National Guard and 425 members of the reserve forces serving in active duty in response to the war on terrorism. These individuals and their families sacrifice to defend our nation and our freedoms. When called into active duty, they often lose civilian pay, although they do receive pay for their military service. However, military pay often does not make up for lost civilian pay, and families typically suffer drops in income and purchasing power. While income drops significantly, expenses generally remain constant or even increase. As a result, some military families find it difficult to pay for the necessities of daily living, such as food, clothing, car payments, mortgages, child care, and insurance. Moreover, unexpected household expenses, such as major home or car repairs strain already fragile budgets even further. Also, increasingly lengthy service call-ups are prolonging the financial problems of these families. While a network of family, friends, veterans' organizations, and charitable organizations help military families make it through rough times, some people believe more can be done. To that end, legislation establishing a relief fund that would provide military families with assistances grants has been proposed.

THE CONTENT OF THE BILLS:

House Bill 5953 would amend the Income Tax Act to create a tax check-off program for tax years between December 31, 2003 and January 1, 2008 to permit a taxpayer to designate a contribution of \$1 or more to the Military Family Relief Fund. The contribution would be subtracted from the taxpayer's refund or added to his or her tax

liability. The check-off would have to be clearly and unambiguously printed on the first page of all income tax return forms, if practicable. Twenty percent of the donations would be provided to the post fund and posthumous fund of the Michigan soldiers' home for use pursuant to Public Act 313 of 1913, and 80 percent would be credited to the Military Family Relief Fund.

Senate Bill 1269 would create the *Michigan Family Relief Fund* as a separate fund in the Department of Military and Veterans Affairs. The state treasurer would credit to the fund the amount designated under the income tax check-off program, would direct investment of the fund, and credit to the fund any interest and earnings. Each year, an amount equal to the cumulative designations under the check-off program (plus interest and earnings) would be appropriated from the general fund to the Military Family Relief Fund. Money in the fund could not be used for administrative costs.

Money in the fund would be used to provide *assistance grants* to the families of members of a reserve component of the U.S. Armed Forces based in the state, or of a resident of the state serving in a reserve component based in another state, who is called to active duty by the President of the United States or secretary of defense in response to the September 11th attacks or a national emergency declared by the president. The family would have to document a need for financial assistance for clothing, food, housing, utilities, medical services or prescriptions, insurance payments, vehicle payments, or other related necessities of daily living while the qualified individual is on active duty or has a service-related injury or illness. The grants would be capped at \$2,000 per calendar year, but the Department of Military and Veterans Affairs could provide more assistance in "extreme" cases. The department would begin disbursing money in the fund within the first 30 days of each calendar year.

The Department of Military and Veterans Affairs would determine the specific *eligibility criteria* (level of need) to receive an assistance grant. Within 30 days after receiving an application, the department would have to notify applicants of their eligibility, the amount of assistance provided (if any), the date by which the assistance should be received, or the reasons for denying an application.

BACKGROUND INFORMATION:

Other Military Family Relief Funds. The idea of military family relief funds appears to have begun with Illinois Lt. Governor Pat Quinn. He led the effort in Illinois to create Illinois Military Family Relief Fund, and has also worked to establish similar funds in other states. The Illinois fund was established with an initial \$5 million appropriation and as of June 2004 had provided more than \$1.3 million in support to over 2,500 military families. The fund also receives support through an income tax checkoff and solicits donations from groups, businesses, and individuals. The lieutenant governor has actively solicited donations through a public awareness campaign, including events on major holidays, such as Memorial Day, President's Day, and Independence Day. Also, one minor league baseball team gave a \$1 donation from each ticket sold at recent game to the fund. The Lt. governor's office also maintains a web site, which has received more

than seven million “hits”, at www.operationhomefront.org, which provides information on the military family relief fund and other services for Illinois military families. The Illinois program is slightly different than the program proposed by House Bill 5953 and Senate Bill 1269, as it provides three levels of support. First, members of the National Guard or reserve components and their families are eligible to receive a \$500 grant, simply because of their status. Second, the program offers a need-based grant capped at \$2,000. Finally, the program provides a \$1,000 grant to the families of individuals who were injured or killed or are MIA/POW.

Legislation establishing similar funds has been introduced in the legislatures of California, Connecticut, Delaware, Iowa, Maine, Minnesota, Missouri, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Washington, and Wyoming.

Income Tax Checkoffs. At present, the income tax form contains one tax checkoff for the gubernatorial state campaign fund, which earned over \$1.5 million in tax year 2002. In their final year of existence (1999), the Children’s Trust Fund checkoff earned approximately \$938,000 and the Nongame Wildlife Fund checkoff earned approximately \$534,000.

ARGUMENTS:

For:

These bills aim at helping individuals in the National Guard and reserve forces and their families meet their financial obligations, while the individual is called into active duty. To quote Illinois Lt. Governor Pat Quinn: “Citizen soldiers such as members of the [National Guard] and reserves have answered the call to duty. They put their lives on the line to defend our freedoms. We owe it to their families to lend a helping hand.”

Response:

While this is a very worthy cause, there is some concern over the proliferation of income tax check-offs. Once one check-off is added, the door is open to others as well, which complicates the tax form and creates problems with its design and readability. The availability of check-offs also tends to pit charitable enterprises against one another for state favoritism.

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