



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1269 (as enrolled)
House Bill 5953 (as enrolled)
Sponsor: Senator Valde Garcia (S.B. 1269)
Representative Fulton Sheen (H.B. 5953)
Senate Committee: Senior Citizens and Veterans Affairs
House Committee: Veterans Affairs and Homeland Security

PUBLIC ACT 363 of 2004
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Date Completed: 1-27-05

RATIONALE

When members of the National Guard and U.S. armed forces reserves are called to active duty, their families may have to make financial sacrifices. Although the troops receive military pay while performing active duty service, they often have to forego their civilian salaries. While a family's income may drop substantially during this time, the family still incurs regular expenses such as rent or mortgage payments and utility bills, and may face unexpected costs such as car repairs. It was proposed that a fund be established to assist the families of Michigan's active duty National Guard and military reserve members, and that it be funded through a voluntary checkoff on income tax returns.

20% to the Post Fund and Posthumous Fund of the Michigan Soldiers' Home.

The bills took effect on October 6, 2004.

House Bill 5953 was tie-barred to either Senate Bill 1269 or House Bill 5954, which also proposed to create the Military Family Relief Fund Act and establish a grant program.

Senate Bill 1269

The bill defines "qualified individual" as an individual who is or was a member of a reserve component of the U.S. armed forces based in Michigan or who is a Michigan resident serving in a reserve component in another state and is called to active duty as a result of national response to September 11, 2001, or a national emergency declared by the President and for which Federal funds are spent. A qualified individual's family must be able to document the need for financial assistance for clothing, food, housing, utilities, medical services or prescriptions, insurance payments, vehicle payments, or other related necessities if the need occurred either during the time the individual was on active duty or because the individual incurred a line-of-duty injury or illness. ("Reserve components of the U.S. armed forces" include the Army or Air National Guard and the Army, Naval, Marine Corps, Air Force, and Coast Guard Reserves.)

CONTENT

Senate Bill 1269 created the "Military Family Relief Fund Act", and House Bill 5953 amended the Income Tax Act, to do the following:

- Establish the "Military Family Relief Fund" and provide for grants from the Fund to a "qualified individual" or his or her family.**
- Require the Department of Military and Veterans Affairs (DMVA) to review grant applications and distribute money from the Fund.**
- Allow a taxpayer to designate on his or her annual return a contribution of \$1 or more toward the Fund.**
- Allocate 80% of the money designated on annual tax returns to the Military Family Relief Fund and**

A qualified individual or his or her family may apply for more than one grant in any year. The DMVA must determine criteria and review applications for grants. Within 30 days of receiving an application, the DMVA must notify the applicant of one of the following:

- The applicant is eligible for a grant, the date when he or she will receive it, and the amount.
- The applicant is eligible, but no funds are available, and the application will be kept on file until money becomes available.
- The applicant is not eligible and the reasons why.

Within the first 30 days of each calendar year, the DMVA must begin distributing the money that was in the Fund at the end of the immediately preceding fiscal year until the Fund is exhausted. A qualified individual and his or her family may not receive more than \$2,000 from the Fund in any one calendar year, although the DMVA may waive that limit if it determines that the individual or family is in an emergency situation or has extreme needs.

Each year that the contribution designation under House Bill 5953 is in effect, an amount equal to the cumulative designations, plus interest and dividends, must be appropriated from the General Fund to the Military Family Relief Fund for use solely in support of the purposes provided in Senate Bill 1269. No money from the Fund may be used to administer the Fund or implement Section 438 of the Income Tax Act (which House Bill 5953 enacted), and the DMVA may not use Fund money to replace funds otherwise designated to support similar programs.

House Bill 5953

The bill added Section 438 to the Income Tax Act to provide that, for tax years beginning after December 31, 2003, and before January 1, 2008, a taxpayer may designate on his or her annual return that a contribution of \$1 or more of his or her refund be credited to the Military Family Relief Fund. If a taxpayer's refund is not sufficient to make a contribution, the taxpayer may designate a contribution amount, which must be added to his or her tax liability for the year.

An amount equal to the cumulative designations, minus the amount appropriated to the Department of Treasury to implement Section 438, must be distributed each fiscal year to the DMVA. Of that distribution, 80% must go to the Military Family Relief Fund and 20% to the Post Fund and Posthumous Fund of the Michigan Soldiers' Home (the Michigan Veterans' Facilities). Money appropriated under the bill must be in addition to any allocations and appropriations and is "intended to enhance appropriations from the general fund and not to replace or supplant those appropriations".

The contribution designation must be clearly and unambiguously printed on the first page of all State individual income tax return forms, if practicable.

MCL 35.1211-35.1216 (S.B. 1269)
206.438 (H.B. 5953)

BACKGROUND

Illinois Program

Early in 2003, the State of Illinois enacted legislation creating a Military Family Relief Fund to provide grants to the families of National Guard and U.S. armed forces reserve troops called to active duty. The Illinois fund is supported by donations collected through a state income tax return checkoff, beginning with returns for the 2003 tax year, as well as an initial \$5 million appropriation and private contributions. The Illinois statute authorizes that state's Department of Military Affairs to receive and distribute all donations. The Department established eligibility criteria for three types of grants: status-based; need-based; and casualty based. Grants are awarded on a first-come, first-served basis, with final authority to disburse grants resting with the Illinois Adjutant General.

Reportedly, legislation to enact similar military family relief funds has been proposed in several other states.

Post and Posthumous Funds

The Michigan Soldiers' Home was established in statute in 1885. The statute states that references in law to the Michigan Soldiers' Home are to be considered references to the Michigan Veterans' Facility.

The Michigan Veterans' Facility in Grand Rapids and the D.J. Jacobetti Michigan Veterans' Facility in Marquette evolved as the successors to the original Michigan Soldiers' Home, according to Executive Reorganization Order 1991-7, which transferred the facilities and their board of managers from the Department of Public Health to the DMVA. These facilities were established to provide care and services for former members of the U.S. armed forces and certain members of their families.

The Post Fund and Posthumous Fund are accounts set up to fund special projects that may be separate in nature from normal home operations. The Post Fund receives donations from various sources, such as the Disabled American Veterans and the Veterans of Foreign Wars. Donations are often earmarked for specific purposes, such as hospital equipment and recreation. The Posthumous Fund receives funds from estates that are voluntarily willed to veterans homes and from funds that are willed to the facilities as a condition of admission (by members who cannot pay the full costs of their residence). The expenditure of Posthumous Fund money is directed by the board of managers for such items as equipment, construction and remodeling, burial allowances, and medical bills.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Many families of National Guard members and U.S. armed forces reservists face financial difficulties when Guard or reserve troops are called into active military service. A soldier's or sailor's military pay typically is lower than his or her civilian salary. Private companies usually do not make up the difference, and some families apparently may see as much as a 70% reduction in household pay when their primary source of income is away. Those families then struggle to keep up with regular expenses, such as mortgage or rent payments, utility bills, food and clothing costs, insurance premiums, and car payments or other transportation costs. Unexpected expenses, such as the cost of home or car repairs, put a further strain on a military family's already

stretched budget. Moreover, with more troops being called to active duty for longer periods of time ever since the September 11 terrorist attacks and subsequent military actions in Afghanistan and Iraq, more families are feeling these financial burdens.

To address this situation, the State of Illinois established a fund to provide grants to military personnel called up from the National Guard and reserve units and their families. The Illinois fund is supported through checkoff donations on individual income tax returns. To offer similar relief to Michigan families affected by the activation of U.S. armed forces reserve and National Guard troops, the bills create a similar fund and grant program.

Response: Illinois included \$5 million as a start-up appropriation and allowed for private contributions, in addition to the income tax checkoff. That early revenue enabled the grant program to be implemented before the tax return checkoff contributions began to be collected.

Opposing Argument

It is unwise to rely upon income tax return checkoff contributions as a funding source for the grant program because the contribution level will vary from year-to-year. In addition, if other worthy causes succeed in having a checkoff placed on State income tax returns, various charitable enterprises may end up competing for the same resources. In addition to the income tax checkoff for military family relief, legislation introduced in the 2003-04 session proposed income tax checkoff contributions for the Home Heating Credit Fund, breast cancer research, the Michigan Disability Sports Alliance, the Children's Trust Fund, prostate cancer research, State parks, and the Veterans Trust Fund.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills will have an indeterminate fiscal impact on the State. The bills allow taxpayers to designate on their annual returns a contribution of \$1 or more to the Military Family Relief Fund. The number of people who might choose to contribute to the Fund and the annual amount raised by such contributions cannot be determined. However, when the State of Michigan permitted income tax checkoff contributions

between 1991 and 1999 for the Children's Trust Fund and the Non-Game Wildlife Fund, annual contributions averaged \$771,351 and \$569,081, respectively.

Fiscal Analyst: Bruce Baker

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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.